

# ANNEXURE 'A' TO REPORT OF THE BOARD OF DIRECTORS

## 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 obligations, 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 75% equity stake in the Company and is a diversified technology and science Company with a global presence in the following businesses: Safety and Industrial; Transportation & Electronics; Health Care; and Consumer 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, 2020, the Company had employee strength of 1,277 personnel. **As on March 31, 2020, your Company was ranked 97<sup>th</sup> based on Market Capitalization @ Rs. 21,20,982 Lakhs and it is now one among the top 100 Companies based on Market Capitalization (Source: NSE).** The Company managed its operations in four (4) operating business segments: Safety and Industrial; Transportation & Electronics; Health Care; and Consumer. The Company's four 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 and through numerous e-commerce and traditional wholesalers, retailers, jobbers, distributors and dealers in a wide variety of trades in many countries around the world. Management believes the confidence of wholesalers, retailers, jobbers, distributors and dealers in 3M and its products — a confidence developed through long association with skilled marketing and sales representatives — has contributed significantly to 3M's position in the marketplace and to its growth.

The Company is committed to creating and returning value to shareholders. Accordingly, the Company is dedicated to achieving high levels of operating performance, cost competitiveness, enhancing the productive asset and resource base and striving for excellence in all areas of operations. The Company firmly believes that its success in the marketplace and good reputation are among the primary determinants of shareholder value. Its close relationship with customers and a deep understanding of their challenges and expectations drive the development of new products and services. With many decades of expertise and know-how, the Company offers its customers solutions that enhance their projects and builds trust. Anticipating customer requirements early and being able to address them effectively requires a strong commercial backbone. The Company continues to develop this strength by institutionalizing sound commercial processes and building world-class commercial capabilities across its marketing and sales teams. The Company uses different innovative approach in the development of its products and services, as well as execution of growth opportunities. Your Company is also committed to creating value for all its stakeholders by ensuring that its corporate actions positively impact all the dimensions viz., economic, social and environment.

### Global Economic Overview

The worldwide economic shutdowns forced by the coronavirus pandemic are expected to cause the worst year the global economy has seen since the Great Depression, according to top economists—raising concerns for the well-being of people in developing nations. the International Monetary Fund (IMF) said the global economy will likely contract by about 3% in 2020 as governments around the world urge people to stay home and shut down businesses to slow the spread of the coronavirus, officially known as COVID-19. The contraction of the economy is expected to be more severe than the recession of 2008 and 2009, when the global economy shrunk by about 0.1%, and represents a major reversal of the IMF's earlier predictions for this year that the global economy would grow by 3.3% in 2020.

The IMF said the economic crisis could stretch into 2021 even if the spread of the virus significantly slows in the coming months, and if there is a resurgence of COVID-19 in the fall or early next year, the economy is not likely to rebound in 2021. The global economy is expected to lose about \$9 trillion in 2020 and 2021, according to the IMF's World Economic Outlook.

### India Economic Overview

India's real GDP decelerated to its lowest in over six years in third quarter in 2019-20 and the outbreak of COVID-19 posted fresh challenges. Steps taken to contain its spread, such as nationwide lockdown in four phases and a complete lockdown of States, have sharply decelerated economic activity and could impact both consumption and investment. While the Indian businesses, barring a few sectors, can possibly insulate themselves from the global supply chain disruption caused by the outbreak due to

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relatively lower reliance on intermediate imports, their exports to COVID-19 infected nations could take a hit. Overall, the three major contributors to GDP- Private consumption, Investment and External trade have been affected. All indicators point to a very challenging year ahead.

Consumer spending which was already sluggish was hit by COVID-19 related lockdown. All consumption indicators except essentials were severely impacted as economic and medical uncertainty will keep consumption weak for some quarters in FY 2020-21. Inflation moderated to 5.91% as food price tend lower during March 2020. Core inflation is steady at 4.1%. Repo rate was cut by 75 bps in the last policy to 4.44% as RBI tries to mitigate damage from the monetary policy side. Auto Sales was down by 54% in March as COVID-19 roiled the economy. Slow growth in money supply has helped control prices but has hurt GDP growth momentum. Credit slowdown due to delayed capex by India Inc. and has further squeezed growth. In the present scenario, IIP growth, Capital Goods Growth, CV sales, Industry credit is weak. Exports contracted sharply in March as lockdown globally slowed trade. Imports also contracted in line with sluggishness in domestic growth and demand. The impact of COVID-19 will further dampen trade sentiment and keep growth well below trend.

Inflation has eased from its recent highs as food prices moderate and is likely to remain soft in the months ahead. The Current Account Deficit (CAD) and Foreign Exchange (FX) reserves were positive. Fiscal Deficit is expected to rise in the FY 2020 and furthermore sharply in FY 2021 as lockdown and COVID related stimulus and lower tax revenue hit government finances. The Indian Meteorological Department (IMD) has forecasted rainfall over the country as a whole for the 2020 southwest monsoon season from June to September is most likely to be normal and also expects monsoon onset date as June 1, 2020. Normal monsoon forecast bodes well for the upcoming Kharif season. IMF projects India growth at 1.9% for FY21 in its latest reports.

### STANDALONE RESULTS OF THE OPERATIONS OF THE COMPANY

The Company on a standalone basis de-grew by 1.56% at **Rs. 276,487.73 Lakhs** for the financial year ended March 31, 2020 compared to Rs. 280,875.97 Lakhs in the previous financial year. The Profit before Interest and Depreciation is **Rs. 38,139.12 Lakhs** compared to Rs. 54,042.78 Lakhs for the previous financial year. Profit before Tax is **Rs. 32,040.31 Lakhs** compared to Rs. 49,745.93 Lakhs for the previous financial year. The operating margin for the current year is **13.59%** compared to 19.02% for the previous financial year. Total Comprehensive Income is **Rs. 21,523.02 Lakhs** compared to Rs. 32,286.31 Lakhs for the previous financial year. Economic slowdown affected the topline growth and impairment in the carrying value of the investment in the subsidiary affected the bottom-line. Export Sales is **Rs. 2,210.14 Lakhs** for the financial year ended March 31, 2020 compared to Rs. 2,602.22 Lakhs in the previous financial year, a decrease of **15.07%**, due to less demand in the global market.

#### *Other Income:*

The other income is **Rs. 4,158.32 Lakhs** for the financial year 2019-20 compared to Rs. 3,283.16 Lakhs for the previous financial year 2018-19.

#### *Cost of Goods sold:*

The % of cost of raw material consumed as against sales for the financial year 2019-20 is higher by **5.12%** at **57.44%** as against 52.32% for the previous financial year 2018-19, due to product mix and increase in foreign currency exchange rate.

#### *Employee Benefits Expense:*

Employee cost as a % of sales for the year 2019-20 stood at **10.61%** (previous financial year was 10.59 %) at **Rs. 29,782.15 Lakhs** (previous financial year: Rs. 30,106.15 Lakhs). Sales per employee have improved by **6.50%** to **Rs.219.77 Lakhs** (no. of employee's 1,277) in the current financial year 2019-20 from Rs. 206.36 Lakhs (no. of employees 1,377) for the previous financial year 2018-19.

#### *Finance Cost:*

The interest cost for the financial year 2019-20 is **Rs. 361.11 Lakhs** compared to Rs. 109.18 Lakhs in the previous financial year 2018-19. The interest cost is on account of lease rentals of vehicles and office equipment and adoption of Ind AS 116-'Leases'.

#### *Interest earned:*

The Company earned **Rs. 2,534.76 Lakhs** on the surplus during the financial year 2019-20 when compared to Rs. 2,685.21 Lakhs during the financial year 2018-19 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 2019-20 was **Rs. 194.38** per Share as compared to Rs. 286.72 per Share in the previous financial year, a decrease of **32.21%**.

#### *Share Capital:*

The Authorized/Issued/Subscribed and Paid-up Capital as at March 31, 2020 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. 21,897.25 Lakhs** is retained in profit and loss account for the year ended March 31, 2020. The Reserves & Surplus is **Rs. 206,349.54 Lakhs** including the current financial year retained profit.

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### Shareholder's Fund:

The total shareholder funds increased to **Rs. 207,476.05 Lakhs** as at March 31, 2020 from Rs. 185,953.03 Lakhs as of the previous financial year 2018-19 end, representing a growth of **11.57%** mainly because of retained profits of the current year.

### Depreciation:

The depreciation charge for the current year is higher at **Rs. 5,737.70 Lakhs** as against a charge of Rs. 4,187.67 Lakhs of previous financial year 2018-19 due to new investments and adoption of Ind AS 116 – "Leases"

### Fixed Assets-Capital Expenditure:

The gross Fixed Assets as at March 31, 2020 was **Rs. 42,717.29 Lakhs** as compared to Rs. 43,145.90 Lakhs of previous financial year 2018-19. Capital Investments during the financial year 2019-20 were at **Rs. 1,983.52 Lakhs** (Net of capital work-in-progress and capital advances) (2018-19: Rs. 3,824.18 Lakhs) a decrease of **48.13%** year on year.

### Inventories:

Inventory as at March 31, 2020 amounted to **Rs. 41,104.12 Lakhs** as against Rs. 37,918.19 Lakhs of previous financial year 2018-19. The inventory ratio has increased to **93 days** as at March 31, 2020 from 89 days of previous financial year 2018-19 due to CoVID-19 pandemic.

### Trade Receivables:

Trade Receivables as at March 31, 2020 amounted to **Rs. 50,658.82 Lakhs** as against Rs. 54,613.88 Lakhs of previous financial year 2018-19. The debtor's turnover ratio is **66 days** (previous financial year: 70 days).

### Cash and Bank balances:

The total balance of cash and bank balances as at March 31, 2020 was **Rs. 66,576.71 Lakhs** as compared to Rs. 47,039.04 Lakhs as at March 31, 2019.

### Current Ratio: 3.17

### Debt Equity Ratio: 2.01

### Interest Coverage Ratio: 89.73

### Overall analysis of the profit and loss (Standalone):

Particulars	Year Ended March 31, 2020		Year Ended March 31, 2019	
	Rs. in Lakhs	%	Rs. in Lakhs	%
Revenue from operations	276,487.73	98.52	280,875.97	98.84
Other income, net	4,158.32	1.48	3,283.16	1.16
<b>Total Revenue</b>	<b>280,646.05</b>	<b>100.00</b>	<b>284,159.13</b>	<b>100.00</b>
Cost of Materials consumed	102,856.73	36.65	86,741.34	30.53
Purchases of stock-in-trade	59,157.11	21.08	63,315.23	22.28
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(822.45)	(0.29)	(1,387.67)	(0.49)
Employee benefits expense	29,782.15	10.61	30,106.15	10.59
Other Expenses	51,533.39	18.36	51,341.30	18.07
<b>Profit before Finance costs and Depreciation</b>	<b>38,139.12</b>	<b>13.59</b>	<b>54,042.78</b>	<b>19.02</b>
Finance Costs	361.11	0.13	109.18	0.04
Depreciation and amortization expense	5,737.70	2.04	4,187.67	1.47
<b>Total Expenditure</b>	<b>248,605.74</b>	<b>88.58</b>	<b>234,413.20</b>	<b>82.49</b>
<b>Profit before Tax</b>	<b>32,040.31</b>	<b>11.42</b>	<b>49,745.93</b>	<b>17.51</b>
Tax	10,143.06	3.61	17,446.85	6.14
<b>Profit for the year</b>	<b>21,897.25</b>	<b>7.80</b>	<b>32,299.08</b>	<b>11.37</b>
Items that will not be reclassified subsequently to profit or loss	(374.23)	(0.13)	(12.77)	(0.01)
<b>Total comprehensive income for the year</b>	<b>21,523.02</b>	<b>7.67</b>	<b>32,286.31</b>	<b>11.36</b>

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### Overall analysis of the profit and loss (Consolidated):

Particulars	Year Ended March 31, 2020		Year Ended March 31, 2019	
	Rs. in Lakhs	%	Rs. in Lakhs	%
Revenue from operations	298,655.09	98.49	301,682.24	98.79
Other income, net	4,589.56	1.51	3,683.12	1.21
<b>Total Revenue</b>	<b>303,244.65</b>	<b>100.00</b>	<b>305,365.36</b>	<b>100.00</b>
Cost of Materials consumed	110,025.50	36.28	93,854.23	30.74
Purchases of stock-in-trade	64,002.11	21.11	68,516.82	22.44
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(399.03)	(0.13)	(2,353.52)	(0.77)
Employee benefits expense	32,858.51	10.84	33,020.88	10.81
Other Expenses	47,201.52	15.57	55,085.17	18.04
<b>Profit before Finance costs and Depreciation</b>	<b>49,556.04</b>	<b>16.34</b>	<b>57,241.78</b>	<b>18.75</b>
Finance Costs	366.21	0.12	112.26	0.04
Depreciation and amortization expense	5,933.25	1.96	4,375.63	1.43
<b>Total Expenditure</b>	<b>259,988.07</b>	<b>85.74</b>	<b>252,611.47</b>	<b>82.72</b>
<b>Profit before Tax from continuing operations</b>	<b>43,256.58</b>	<b>14.26</b>	<b>52,753.89</b>	<b>17.28</b>
Tax	11,039.66	3.64	18,439.39	6.04
<b>Profit for the year from continuing operations</b>	<b>32,216.92</b>	<b>10.62</b>	<b>34,314.50</b>	<b>11.24</b>
<b>Profit for the year from discontinued operations</b>	<b>0.00</b>	<b>0.00</b>	<b>2,303.49</b>	<b>0.75</b>
<b>Profit for the year</b>	<b>32,216.92</b>	<b>10.62</b>	<b>36,617.99</b>	<b>11.99</b>
Items that will not be reclassified subsequently to profit or loss	(413.22)	(0.14)	(6.37)	(0.00)
<b>Total comprehensive income for the year</b>	<b>31,803.70</b>	<b>10.49</b>	<b>36,611.62</b>	<b>11.99</b>

### Segment wise performance :

On a standalone basis, the Safety and Industrial business de-grew by 5.82%; Transportation business de-grew by 0.24%; Health Care business grew by 1.66%; and Consumer business grew by 5.33%.

### (A) SAFETY AND INDUSTRIAL BUSINESS:

This segment includes businesses that serve the global industrial, electrical and safety markets. This business segment consists of personal safety, industrial adhesives and tapes, abrasives, closure and masking systems, electrical markets, automotive aftermarket and roofing granules.

Rs. in Lakhs

		12 Months Ended 31.03.2020	12 Months Ended 31.03.2019
Financial Highlights	Segment Revenue	96,893.89	102,880.31
	Profit Before Interest & Tax	15,666.59	21,374.76
	Capital Employed	28,531.74	30,725.45
Highlights of Safety and Industrial Business	<ul style="list-style-type: none"> <li>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., including high end solutions from our state of the art products based on Cubitron II technology specially in high pressure grinding and finishing used with Robotics and Automation. The Sales team has been equipped with digital tools (3M Sales Aid) to prove &amp; implement Value added processes for productivity improvement.</li> <li>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, Electronics and Oil and Gas.</li> </ul>		

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	<ul style="list-style-type: none"> <li>• The OEM segments (Autocare and Collision Repair) of Automotive Aftermarket Division saw a growth primarily due to new product sales and new customer acquisitions including expansion into two-Wheeler segment despite the challenges faced because of passenger car sales slow-down.</li> <li>• The corrosion protection business had a strong year because of execution of large Oil &amp; 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.</li> <li>• Personal Safety Division (PSD) 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.</li> <li>• 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 &amp; Labour Institutes (DGFASLI), Ministry of Labour and Employment) has so far trained close to 1.81 Lakh workers and visited more than 1,000 Industries, raising awareness on industrial safety and health through training programs with the message: Safety First.</li> <li>• The PSD also made significant contributions through awareness building and helping citizens get appropriate respirators during air quality concerns in several cities during the winter months.</li> <li>• The Company through its PSD and Healthcare business is playing an important role of providing N95, P2 respirators and coveralls to healthcare and nodal Government agencies towards fighting the COVID 19 pandemic.</li> </ul>
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### (B) HEALTH CARE BUSINESS:

Products and services provided to these and other markets include medical and surgical supplies, oral care solutions (dental and orthodontic products), separation and purification sciences, inhalation and transdermal drug delivery systems, and food safety products.

*Rs. in Lakhs*

		12 Months Ended 31.03.2020	12 Months Ended 31.03.2019
Financial Highlights	Segment Revenue	43,448.06	42,740.11
	Profit Before Interest & Tax	6,628.17	7,705.79
	Capital Employed	13,043.73	13,607.51
Highlights of Health Care Business	<ul style="list-style-type: none"> <li>• Continuing our efforts in development of guidelines, creating awareness about international best practices and driving compliance, the Company launched INFUSE program in collaboration with INS India. The Infusion Nurses Society (INS India – is an international affiliate of INS) is committed to bringing innovative new resources and opportunities to Healthcare Professionals who are involved in Infusion Therapy. The Company has played a pivotal role in creating a National Consensus document on Hospital Acquired Skin Injuries for the INFUSE program.</li> <li>• Company's Healthcare has created a learning and recognition platform dedicated to nursing community in India and launched the Nursing Leadership Initiative.</li> <li>• The Company's Health Care Academy scaled up online education initiatives for delivery of local and global content thereby helping hospitals in continuous education efforts and skill upgradation.</li> <li>• The Company has worked with FSSAI (Food Safety &amp; Standards Authority of India) to qualify and introduce Rapid Microbiology testing methods in the Food Safety space.</li> </ul>		

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### (C) TRANSPORTATION AND ELECTRONICS BUSINESS:

This segment includes businesses that serve global transportation and electronic original equipment manufacturer (OEM) customers. This business segment consists of electronics (display materials and systems, electronic materials solutions), automotive and aerospace, commercial solutions, advanced materials, and transportation safety.

Rs. in Lakhs

		12 Months Ended 31.03.2020	12 Months Ended 31.03.2019
Financial Highlights of Transportation Business	Segment Revenue	101,970.45	102,211.85
	Profit Before Interest & Tax	6,858.09	11,455.37
	Capital Employed	36,229.69	29,283.73
Highlights of Transportation Business	<ul style="list-style-type: none"> <li>Highway construction in the country gained momentum in the FY2019-20 with government focus to enhance connectivity across country. The Company works closely with all the stakeholders in the industry to improve safety and help reduce accidents and fatalities on Indian roads. The company has accelerated its efforts to maximize the penetration into this important market and add value with its innovative products such as reflective signages, road marking materials, road safety furniture and Real Time Variable Message Signs.</li> <li>Vehicle safety is a priority for Government of India. The Company works closely with government, its various departments, vehicle OEMs and vehicle users to enhance the vehicle safety in India. The Company has been working with various state governments to get vehicle safety prioritized and have seen a great traction for vehicle safety business in the year 2019-20.</li> <li>The Company continued gaining share in the Advanced Materials markets with its differentiated offerings from polymer solutions like Polymer Processing Additives for packaging industry, Fluoro Thermoplastics and Poly Tetra Fluoro Ethylene in chemical processing industry and Engineered Specialty Additives for oil and gas industry from its ceramics portfolio.</li> <li>FY 2019 –20 was a challenging market for Auto Industry with double digit negative production growth. However, Industry focused on driving Regulations in the areas of Emissions (BS 6 Target 2020 April) and Safety (2 Wheel Side Reflectors: Oct 2019) to drive long term growth. Your Company worked closely with Auto OEMs (PV and CV segment) and added value through our emissions solution products in the CV segment by offering Local Designs / Local Testing and Manufacturing solutions to support Customers. We also introduced our India NPI (New Product) program Muphony to improve Noise Management and reduce weight for Automotive Cars. We are working with other OEMs for future Growth. In the 2W segment we have introduced 3M Bonding solutions to attach Side Reflectors parts. Auto Electrification remains a strong focus area for us and we are taking the Big 3M approach to introduce Value added solutions with OEMs in the area of Battery Thermal Management, Improvement of Life and safety of Batteries and Heads up Display solutions.</li> <li>Commercial solution business growth driven from lot of positive trends from key markets like Transportation, BFSI, Retail &amp; Commercial buildings. Transportation (Railways &amp; Metro), various plants of Indian Railways registered higher growth of new production of coaches. 3M paint replacement graphics solutions, washroom refurbishment and graphics designed coaches have become key highlight for passenger experiment in Indian Railways. With merger of PSU banks and rebranding programs of few private banks this year has given lot of opportunities of new signage, in shop graphic and branding solutions for graphics business. Commercial building (offices, malls, healthcare &amp; hospitals) continue to register increase occupancy with new trends of coworking spaces, Vibrant spaces and increased cleaning &amp; hygiene practices, commercial real estate registered an average new addition of around 20M sq. ft. space in 2019 in India.</li> </ul>		

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### (D) CONSUMER BUSINESS:

This business serves global consumers and consists of home improvement, stationery and office supplies, home care, and consumer health care. This segment also includes, within the Construction and Home Improvement Division, certain retail auto care product lines. Products in this segment include office supply products, stationery products, home improvement products (do-it-yourself), home care products, protective material products, certain consumer retail personal safety products, and consumer healthcare products.

Rs. in Lakhs

		12 Months Ended 31.03.2020	12 Months Ended 31.03.2019
Financial Highlights	Segment Revenue	31,966.12	30,348.57
	Profit Before Interest & Tax	6,642.82	5,488.48
	Capital Employed	9,191.06	8,932.23
Highlights of Consumer Business	<ul style="list-style-type: none"> <li>• Prioritized Modern Trade and eCommerce for accelerated growth programs to take advantage of category growth in these channels.</li> <li>• Continued partnerships with key Modern Trade retailers to drive penetration of select products in Home Care and Stationery categories.</li> <li>• Partnered with adjacent category &amp; household brands for cross promotional activities thereby expanding household reach for our products.</li> <li>• Distribution expansion program aimed at increasing availability of Home Care range of products in Tier B&amp;C towns through partnership with wholesalers across the country.</li> <li>• Integrated marketing campaign to drive penetration of 'Scotch-Brite® Silver Sparks' and Scotch Brite® Broom – our recent innovative offerings in the home care space.</li> <li>• Digital awareness and trial generation campaign for Command® range of products.</li> <li>• Initiated pilot on Go-to-market strategy for Meguiar's range of car care products.</li> <li>• Continued growth in the office supplies channels with Post-it &amp; Scotch range of products aimed at office workforce segment.</li> <li>• 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.</li> </ul>		

### 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 Company's 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 your Company believes to be the most important risk factors applicable to the Company.

- Results are impacted by the effects of and changes in economic, political, regulatory, capital markets and other external conditions like COVID-19 Pandemic.
- The Company's results are affected by competitive conditions and customer preferences.
- Foreign currency exchange rates and fluctuations in those rates may affect the Company's ability to realize projected growth rates in its sales and earnings.
- 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.

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- The Company's future results are subject to fluctuations in the costs and availability of purchased components, compounds, raw materials and energy, including oil and natural gas and their derivatives, due to shortages, increased demand, supply interruptions, currency exchange risks, natural disasters and other factors like Global Pandemic.
- Security breaches and other disruptions to the Company's information technology infrastructure could interfere with the Company's operations, compromise information belonging to the Company or its customers, suppliers, and employees, exposing the Company to liability which could adversely impact the Company's business and reputation.
- The Company's future results may be affected by its operational execution, including scenarios where the Company generates fewer productivity improvements than estimated.

### 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

#### *Learning and Development:*

The Financial Year 2019-20 was a year when 3M India took necessary steps to make development to all employees, in line with the 3M Global Philosophy of 'Development for All'. Nearly 1100 employees were part of various learning programs throughout the year. Our e-learning platform called 'Develop U' continues to stay updated and relevant to learning needs of 3M's people. Development through virtual technologies brings to employees, a wide range of easily accessible, quick learning modules through engaging facilitators across Asia.

At 3M learning begins right from joining the company. The Company organizes a comprehensive 4 day 'Feel@Home' program for all our new employees to enable an orientation to 3M. This program gives a new employee a complete overview to our Company, our culture, our businesses and technologies. Nearly 120 employees were part of this engaging program.

A special program rolled out this year, was the 'Energy Audit'. The Energy Audit is an employee well-being focused program that helps employees learn, reflect and take personal action on the 4 dimensions of Energy – Physical, Mental, Emotional and Spiritual. 3M today has various approaches to support well-being and this program was a unique program that blended learning with 'care for the employee'.

Your company's shop floor employees are an integral part of our learning audience. Your Company was able to bring the benefits of learning and development to the shop floor colleagues through 'Associates Contributing Together' a program initiated in 2018. While this program has supported employee learning, it has also contributed to greater idea sharing, enhanced trust levels and openness to role changes amongst employees. By the end of 2019, your company's plant HR teams were able to engage 95% of our shop floor through this interactive learning program. This program is a strong contributor to maintaining peaceful employee relations across all the plants.

People Leaders drive the employee experience in the company. Your Company stepped up our supervisory programs in 2019 to reinforce the supervisor's role with employee engagement and retention. The Company's 3 day Evolving Leader Program covering a range of leadership topics is contributing to the long journey of developing stronger people leaders. Your company was also able to bring our corporate programs from Franklin Covey to our senior leaders in India. The corporate programs served as preparation to important changes in people processes and reinforced trust behaviours. The Company's programs are also strengthened by leadership coaching for leaders. 1:1 engagement with a 3M certified coach helps our leaders reflect on their challenges and

## ANNEXURE 'A' TO REPORT OF THE BOARD OF DIRECTORS

take charge of designing their own solutions. Several leaders stepping into accelerated roles have benefitted from the power of leadership coaching at 3M. Similarly, 3M India employees benefit from a mentoring platform across APAC.

XChange, a collaborative leadership development program across 5 partner organizations, is a high point for our Hi Potentials. The 6th season of XChange had important themes like Macro Economic Trends, Innovation, Customer Centricity, Digital Mindset and Inspiring People. On completion of the entire learning journey, the Company's Hi Potentials present learnings to the Leadership Team. Starting 2020, participants also commit to short functional projects based on their learnings. In addition to being a strong development platform, XChange today is also a great platform to enhance the brand of 3M amongst our peer organizations.

In addition to all of the above, the Company employees have the unique opportunity to participate in sales and marketing development programs, functional development opportunities and lean six sigma learning opportunities. Development opportunities at 3M are multi-dimensional spanning functional, on-the-job learning and leadership areas. At 3M, Learning never stops.

### **Employee Relations (ER):**

The financial year 2019-2020 overall has been a positive year with continuing focus on enhancing the shop floor culture. 3M also rolled out ER engagement plan for FY 2019 /20 to ensure proactive Employee Relations with themes on Connect, Communicate and Collaborate. The 3M philosophy on ER has always been 'direct engagement and communication with the organization' which stands stronger today. The year was disruptive free IR with Zero man-days lost.

The plant Technical Associates were part of workshops named ACT (Associates Contributing Together) and the Company ensured 95% coverage over the last year. These workshops are facilitated by plant HR and have high engagement activities to build learning agility and crossline collaboration for customer centric approach.

The HR team also rolled out Supervisory Development Program for our Supervisors in Manufacturing in 2019 for 35+ front line manager across plant locations through various modules to build capability on basics of labour laws, ways to create engaged workforce and role of supervisor in managing expectation and developing talent. The program was designed inhouse with Inputs from Leadership team, HR and front-line managers and delivered by an external facilitator.

The Company has strengthened systems to reinforce the culture of respect and fairness. Leaders understand concerns proactively and communicated the company's philosophy regularly through multiple platforms from time to time. Some additional actions put in place:

1. Changes were made to create a robust performance management system for our Technical Associates in 2019-20 on premise of fairness and accountability.
2. ER/IR market practice(s) study was done in FY 2019 in areas of compensation, career progression, upskilling & productivity / performance.
3. 3M practice of connecting with families of the Company's shop floor teams continues.
4. Strengthened discipline and availability of employees at shop floor through structured intervention.
5. Continued focus of involving our plant employees in local CSR activities.

### **HR Business Partner (HRBP):**

HR Business Partners continued to be closely to businesses and functions and supported in all areas of employee lifecycle spanning "Hire To Retire". These included aligning business objectives with the Company's People strategy. The team continued to actively lead Succession Planning, Talent Reviews and Organization Design activities to ensure talent was placed in the most productive positions. Talent was redeployed within business groups and across divisions supporting business needs and capturing prioritized opportunities in the marketplace. Activities for this exercise included identifying leadership roles, creating and activating succession plans to identify candidates for these roles and supporting the identified leaders in becoming productive in their new roles rapidly. The team also led projects on retention of critical talent pools. Employees were provided opportunities to attend training and development programs designed to help them become better leaders, manage projects & programs effectively, customer focused selling and learning to manage change while keeping their energies high.

*On behalf of the Board of Directors*

**Ramesh Ramadurai**  
*Managing Director*

Place : Bengaluru  
Date : May 29, 2020

DIN: 07109252

**Radhika Rajan**  
*Director*

Place : Mumbai  
Date : May 29, 2020

DIN: 00499485