

Governance Philosophy

Corporate governance refers to a set of laws, regulations and good practices that enable an organisation to perform efficiently and ethically generate long-term wealth and create value for all its stakeholders.

We, at **Grasim Industries Limited**, are committed to the adoption of best governance practices and its adherence in the true spirit, at all times. Our governance practices are self-driven, reflecting the culture of the trusteeship that is deeply ingrained in our value system and reflected in our strategic growth process. Our governance philosophy rests on five basic tenets, viz.,

- Board accountability to the Company and stakeholders,
- Relentless value creation for all stakeholders,
- Strategic guidance and effective monitoring by the Board,
- Equitable treatment to all shareholders and protection of minority interests and rights, and
- Transparency and timely disclosure.

In line with the above philosophy, your Company continuously strives for excellence through adoption of best governance and disclosure practices. In terms of Clause 49 of the Listing Agreement executed with the stock exchanges, the details of compliance for the year ended 31st March, 2013, are as follows:

Compliance with Corporate Governance Guidelines

BOARD OF DIRECTORS

(A) Composition of Board

Your Company's Board comprises of 12 Directors, having considerable professional experience in their respective fields. Out of them, 6 are Independent Directors, 4 are Non-Executive Directors and 2 are Executive Directors.

The Executive Directors include Managing Director and Whole-time Director.

The composition of the Board is in conformity with the requirements of Clause 49 of the Listing Agreement.

Name of Director	Executive/ Non-Executive/ Independent	No. of Equity Shares held as on 31st March, 2013	No. of Outside Directorships held in Indian Public Ltd. Companies	No. of Outside Committee Positions held in Audit/Investor Grievance Committee		No. of Board Meetings		Attended Last AGM held on 07.09.2012
				Member	Chairman	Held	Attended	
Mr. Kumar Mangalam Birla	Non-Executive	23,915	9	-	-	5	5	No
Mrs. Rajashree Birla	Non-Executive	72,280	6	1	-	5	1	No
Mr. M.L. Apte	Independent	130	7	6	-	5	5	No
Mr. B.V. Bhargava	Independent	357	7	3	4	5	4	Yes
Mr. R.C. Bhargava	Independent	227	8	3	5	5	5	No
Mr. A.K. Dasgupta # (Representing equity interest of LIC)	Independent	100	N.A.	N.A.	N.A.	1	1	No
Mr. N. Mohan Raj # (Representing equity interest of LIC)	Independent	100	1	1	-	4	3	Yes
Dr. Thomas Martin Connelly	Independent	100	-	-	-	5	4	No
Mr. Cyril Shroff	Independent	137	-	-	-	5	2	No
Mr. Shailendra K. Jain	Non-Executive	17,385	4	2	-	5	5	Yes
Mr. D.D. Rathi	Non-Executive	7,550	1	1	-	5	5	Yes
Mr. K.K. Maheshwari	Managing Director	2,997	2	1	1	5	5	Yes
Mr. Adesh Gupta	Whole-time Director	980	9	2	-	5	5	Yes

Mr. Kumar Mangalam Birla and Mrs. Rajashree Birla are related as Son and Mother, respectively. No other Director is related to any other Director on the Board.

Mr. A.K. Dasgupta resigned as a Director of the Company w.e.f. 21st June, 2012, consequent to the withdrawal of his nomination by LIC. Mr. N. Mohan Raj was appointed as Director of the Company w.e.f. 21st June, 2012, upon his nomination by LIC.

(B) Role of Board of Directors

Your Company's Board of Directors play primary role in ensuring good governance, smooth functioning of the Company and in the creation of shareholder value. The Board's role, functions, responsibility and accountability are clearly defined. As Board's primary role is fiduciary in nature, it is responsible for ensuring that the Company runs on sound ethical business practices and that the resources of the Company are utilised in a manner so as to create sustainable growth and value for the Company's shareholders and the other stakeholders and also to fulfil the aspirations of the society and the communities in which it operates. As part of its function, your Board periodically reviews all the relevant information, which is required to be placed before it pursuant to Clause 49 of the Listing Agreement and, in particular, reviews and approves corporate strategies, business plans, annual budgets, projects and capital expenditure. Your Board monitors the Company's overall corporate performance, directs and guides the activities of the Management towards the set goals and seek accountability. Your Board also sets standards of corporate behaviour, ensures transparency in corporate dealings and compliance with the laws and regulations.

Agenda of the Board Meeting and Notes on Agenda are circulated to the Directors as far as possible well in advance of each Board Meeting. At the Board Meeting, elaborate presentations are made to the Board. The Members of the Board discuss each agenda item freely in detail.

Your Board meets at least once in a quarter to review the quarterly financial results and operations of your Company. Apart from the above, additional Board Meetings are convened by giving appropriate notice to address the specific needs and the business requirements of the Company.

During the year under review, the Board met 5 times. The details of Board Meetings held during the FY 2012-13 are as under:

Sl. No.	Date of Board Meeting	City	No. of Directors Present
1.	05.05.2012	Mumbai	10
2.	04.07.2012	Mumbai	8
3.	27.07.2012	Mumbai	12
4.	29.10.2012	Mumbai	10
5.	31.01.2013	Mumbai	10

Your Company also uses video/tele-conferencing facilities to enable participation of your Directors in the Board/Committee Meetings.

AUDIT COMMITTEE/OTHER COMMITTEES AT BOARD LEVEL**(A) Qualified and Independent Audit Committee**

Your Company has an Audit Committee at the Board level which acts as a link between the management, the statutory and internal auditors and the Board of Directors and oversees the financial reporting process. It interacts with statutory, internal and cost auditors, and reviews and recommends their appointment and remuneration. The Audit Committee is provided with necessary assistance and information so as to enable it to carry out its function effectively.

The scope of the functioning of the Audit Committee is to review, from time to time, the audit and internal control procedures, the accounting policies of the Company, oversight of the Company's financial reporting process so as to ensure that the financial statements are correct, sufficient and credible, and it performs such other functions and role, and exercises the powers

as are recommended from time to time by SEBI, Stock Exchanges and/or under the Companies Act, 1956. Your Audit Committee mandatorily reviews the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions submitted by the management;
3. Management letters/letters of internal control weaknesses, if any, issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses, if any, and implementation of action points arising there from; and the appointment, removal and terms of remuneration of the Chief Internal Auditor;
5. Quarterly and annual financial statements; and
6. Risk assessment and minimisation procedures.

The Audit Committee comprises of the following Directors, all of whom are Independent Directors and are financially literate and having accounting or related financial management expertise:

1. Mr. B.V. Bhargava, Chairman
2. Mr. R.C. Bhargava, Member
3. Mr. M.L. Apte, Member

The Managing Director and the Whole-time Director & CFO are permanent invitees to the Audit Committee Meetings.

The statutory as well as Chief Internal Auditor of the Company are also invited to the Audit Committee Meetings. The representatives of the Cost Auditors are also invited to the Audit Committee Meetings whenever matters relating to the Cost Audit are considered.

Mr. Ashok Malu, Company Secretary, acts as the Secretary to the Audit Committee.

The Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on 7th September, 2012.

Meetings of Audit Committee:

During the year under review, the Audit Committee met 7 times to deliberate on various matters. The details of attendance of the Committee members are as follows:

Name of Committee Member	No. of Meetings	
	Held	Attended
Mr. B.V. Bhargava	7	7
Mr. R.C. Bhargava	7	7
Mr. M.L. Apte	7	7

(B) Other Committees at the Board Level

i) Stakeholders Relationship Committee

The Company has a "Stakeholders' Relationship Committee" at the Board level to look into various issues relating to shareholders/investors including transfer and transmission of shares as well as non-receipt of dividend, Annual Report, shares after transfers and delays in transfer of shares. In addition, the Committee looks into other issues including status of dematerialisation/rematerialisation of shares and debentures as well as systems and procedures followed to track investor complaints and suggest measures for improvement from time to time.

The Committee comprises of the following Directors, viz., Mr. Cyril Shroff, Mr. D.D. Rathi and Mr. Adesh Gupta. Mr. B.V. Bhargava has also been inducted as a member of the Committee w.e.f. 4th May, 2013.

During the year under review, the Committee met twice to deliberate on various matters referred above. Details of attendance by Directors at the Committee meeting are as follows:

Name of Committee Member	No. of Meetings	
	Held	Attended
Mr. Cyril Shroff, Chairman	2	–
Mr. D.D. Rathi	2	2
Mr. Adesh Gupta	2	2

Mr. Ashok Malu, Company Secretary, acts as Secretary to the Committee.

ii) ESOS Compensation Committee

The ESOS Compensation Committee comprises of the following Directors, viz., Mr. Kumar Mangalam Birla (Chairman), Mr. M.L. Apte and Mr. Cyril Shroff. The Committee was formed to implement, administer and supervise the Employee Stock Option Scheme – 2006 (the Scheme).

iii) Finance Committee

The Company has a Finance Committee to look into various matters, *inter alia*, to approve opening and operation of Bank Accounts, execution of Power of Attorneys, to authorise officers of the Company in the matter of availment of secured and unsecured loans, to approve signing of agreements with the regulatory authorities and to authorise officers of the Company for performing acts required under various laws.

During the year under review, the Committee met 4 times to deliberate on various matters referred above. Details of the attendance of the Committee members are as follows:

Name of Committee Member	No. of Meetings	
	Held	Attended
Mr. B.V. Bhargava, Chairman	4	4
Mr. D.D. Rathi	4	4
Mr. Adesh Gupta	4	4

iv) Corporate Social Responsibility Committee (CSR Committee)

Your Company has constituted a CSR Committee at the Board level with - Mrs. Rajashree Birla, Chairperson, Mr. Shailendra K. Jain, Director and Mr. B. V. Bhargava, Independent Director. Dr. (Mrs.) Pragnya Ram, Group Executive President, Corporate Communications and CSR, has been inducted as a permanent invitee.

REMUNERATION OF NON-EXECUTIVE/EXECUTIVE DIRECTORS

All decisions relating to the remuneration of the Directors are taken by the Board of Directors of the Company in accordance with the Shareholders' approval, wherever necessary.

Sitting fee is paid to the Non-Executive/Independent Directors for attending Board/Committee Meetings as under:

Board/Board Committee	Sitting Fees per Meeting
Board	₹ 20,000/-
Audit Committee	₹ 10,000/-
Stakeholders' Relationship Committee	₹ 5,000/-
ESOS Compensation Committee	₹ 5,000/-
Finance Committee	₹ 5,000/-

Mr. K.K. Maheshwari and Mr. Adesh Gupta are the Managing Director and the Whole-time Director of the Company, respectively, and as such no sitting fee is payable to them for the meetings attended by them.

In addition to the payment of sitting fees, the Company also pays commission to the Non-Executive Directors of the Company. The amount of the commission payable to the Non-Executive

Directors is determined after assigning weightage to attendance, type and significance of the meetings to the overall functioning of the Company. In the AGM held on 17th September, 2011, the shareholders had approved payment of commission not exceeding 1% per annum of the net profit of the Company to the Non-Executive Directors for a period of five years, commencing from 1st April, 2011, as may be decided by the Board of Directors. As such, each year, the Board fixes the amount to be paid as commission. For the FY 2012-13, the Board has approved the payment of ₹ 11 crore as commission to the Non-Executive Directors.

Details of remuneration paid/to be paid to the Directors for the year under review are as under:

a. Non-Executive/Independent Directors:

Name of Director	Commission (₹)	Sitting Fees (for Board and its Committees) (₹)
Mr. Kumar Mangalam Birla	9,70,00,000	1,00,000
Mrs. Rajashree Birla	45,00,000	20,000
Mr. M.L. Apte	18,00,000	1,70,000
Mr. B.V. Bhargava	21,00,000	1,70,000
Mr. R.C. Bhargava	18,00,000	1,70,000
Mr. A.K. Dasgupta*	} 3,00,000 [§]	20,000
Mr. N. Mohan Raj#		60,000
Dr. Thomas Martin Connelly Jr.	3,00,000	80,000
Mr. Cyril Shroff	7,00,000	40,000
Mr. Shailendra K. Jain	13,00,000	1,00,000
Mr. D.D. Rathi	2,00,000	1,30,000
Total	11,00,00,000	10,60,000

* Sitting Fees paid to Mr. A.K. Dasgupta. # Sitting Fees paid to LIC.

§ Commission is payable to LIC.

b. Managing Director/Whole-time Director:

Managing Director/ Whole-time Director	Relationship with other Directors, if any	Business Relationship with the Company	Remuneration paid during 2012-13		
			Salary, Benefits, Bonus, etc., paid during the Year (₹ in lac)	Performance- linked Incentive paid during the Year for FY 2011-12 (₹ in lac)	Service Contracts, Notice Period, Severance Fee
Mr. K.K. Maheshwari	None	Managing Director	538.44	203.42	Upto 5th March, 2017, Refer Note (b)
Mr. Adesh Gupta	None	Whole-time Director & CFO	228.81	45.62	Upto 2nd October, 2014, Refer Note (b)

Notes:

- The Board has approved payment of performance-linked variable pay for the FY 2011-12 as aforesaid to the Managing Director and Whole-time Director on achieving of the targets.
- The appointment of Managing Director and Whole-time Director is subject to termination by three months' notice in writing on either side.
- Details of stock options granted to the Managing Director and the Whole-time Director during the year are set out in Annexure to the Directors' Report.

DISCLOSURES

(A) Subsidiary Companies:

Your Company does not have any material non-listed Indian Subsidiary Company. The Audit Committee reviews the financial statements and, in particular, the investments made by the unlisted subsidiary companies. The minutes of the Board meetings as well as statements of all significant transactions of the unlisted subsidiary companies are placed before the Board of Directors of the Company for their review.

(B) Basis of Related-Party Transactions:

No material transaction has been entered into by the Company with the Promoters, Directors or the Management, their subsidiaries or relatives, etc., that may have a potential conflict with the interest of the Company.

A comprehensive list of related-party transactions as required by the Accounting Standard (AS) 18 issued by the Institute of Chartered Accountants of India, forms part of the Note No. 4.5 of the Financial Statements to the Accounts in the Annual Report. These transactions are not likely to have any conflict with the interests of the Company at large.

Your Company places all the relevant details before the Audit Committee periodically.

(C) Risk Management

Your Company has a comprehensive risk management policy. Your Company has laid down procedures to inform the Board members about the risk assessment and minimisation procedures. These procedures are periodically reviewed to ensure that the executive management controls the risks through properly defined framework.

The Audit Committee, which has been designated by the Board for the purpose, reviews the adequacy of the risk management framework of the Company, the key risks associated with the businesses of the Company and the measures and steps in place to minimise the same and thereafter the details are presented to and discussed at the Board Meeting. The risk management issues are discussed in the Management Discussion and Analysis Report.

(D) Proceeds from Public Issues, Rights Issues, Preferential Issues, etc.

During the year under review, the Company has not raised any proceeds from public issue, rights issue or preferential issue.

(E) Management Discussion and Analysis Report/Disclosure of Accounting Treatment

- i) The Management Discussion and Analysis Report forms part of the Annual Report, and is in accordance with the requirements laid out in the Listing Agreement.
- ii) Your Company follows all relevant Accounting Standards while preparing the Financial Statements.

REPORT ON CORPORATE GOVERNANCE

This Corporate Governance Report forms part of the Annual Report. The Company is fully compliant with all the provisions of Clause 49 of the Listing Agreement of the Stock Exchanges in India.

COMPLIANCES

- i) Certificate from the Statutory Auditors, confirming compliance with all the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges in India, is annexed to the Directors' Report and forms part of the Annual Report.
- ii) No strictures/penalties have been imposed on the Company by the Stock Exchanges or the Securities and Exchange Board of India (SEBI) or any statutory authority on any matters related to capital markets, during the last 3 years.
- iii) Detail of the Directors seeking reappointment has been provided in the notice of A.G.M.

- iv) Details of shareholders' complaints received, number of shares transferred during the year and the time taken for processing these transfers are furnished in the "Shareholder Information" section of this Annual Report.
- v) Status of compliance of Non-mandatory requirement
- The Company maintains a separate office for the Non-Executive Chairman. All necessary infrastructure and assistance are made available to enable him to discharge his responsibilities.
 - The Company does not have a Remuneration Committee. The remuneration of the Directors is decided and approved by the Board of Directors.
 - "Half-Yearly Performance Update" consisting of financial and operational performance for the Half-Year ending on 30th September is being sent to the shareholders since 2000-01 and this practice continued this year as well.
- vi) The Ministry of Corporate Affairs has issued a set of Voluntary Guidelines on 'Corporate Governance' and 'Corporate Social Responsibility'. These guidelines are expected to serve as a benchmark for the Corporate Sector and also help them in achieving the highest standard of corporate governance.
- Most of the provisions of these guidelines are in place. Your Company will strive to adopt the remaining provisions in a phased manner.
- vii) There is a separate section for General Shareholder Information which forms part of Annual Report.
- viii) Name and Designation of Compliance Officer: Mr. Ashok Malu, Company Secretary.

GENERAL BODY MEETINGS

Details of Annual General Meetings

During the last 3 years, the Annual General Meetings (AGMs) of your Company were held at the Registered Office of the Company at Birlagram, Nagda 456331, M.P. as under:

Year	Date of AGM	Time
2009-10	20.08.2010	12.30 p.m.
2010-11	17.09.2011	12.30 p.m.
2011-12	07.09.2012	11.30 a.m.

All the resolutions, including the special resolution(s) set out in the respective Notices of the previous 3 AGMs were passed by the Shareholders.

Postal Ballot

No resolution has been passed in the FY 2012-13 through postal ballot.

MEANS OF COMMUNICATION

- Copies of the Press Release and Quarterly Presentations on Company's performance made to Institutional Investors/Analysts are hosted on the website of the Company, www.grasim.com, and the Group's website, www.adityabirla.com

- Quarterly results:

Results are normally published in :	<i>Newspaper</i>	<i>Cities of Publication</i>
	Business Standard	All Editions
	Business Line	All Editions
	The Economic Times	Mumbai
	Nai Duniya	Indore

Results are displayed on our websites : www.grasim.com and www.adityabirla.com

CODE OF CONDUCT

The Board of Directors play an important role in ensuring good governance and has laid down the Code of Conduct ("the Code") applicable to all Board Members and Senior Management of the Company. The Code is also posted on the website of the Company.

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, all the Board Members and Senior Management of the Company have confirmed compliance with the Code of Conduct for the year ended 31st March, 2013.

CEO/CFO CERTIFICATION

Mr. K.K. Maheshwari, Managing Director and Mr. Adesh Gupta, Whole-time Director & CFO of the Company have certified to the Board that:

- (a) They have reviewed the Financial Statements and the Cash Flow Statement for the year and that to the best of their knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) They have indicated to the auditors and the Audit Committee:
 - i) significant changes in internal control over financial reporting during the year;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the Notes to the Financial Statements; and
 - iii) instances of significant fraud of which they 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.

For Grasim Industries Limited

K.K. Maheshwari
Managing Director

Adesh Gupta
Whole-time Director & CFO

Place: Mumbai

Date: 4th May, 2013