



Proxy Advisory Report

Grasim Industries Ltd

BSE Code: 500300 | NSE Code: GRASIM | ISIN: INE047A01013

Sector: Textiles | Meeting Type: Annual General Meeting

e-Voting Platform: [NSDL](#)

e-Voting Period: From 16th September, 2015 to 18th September, 2015

Meeting Date: 19th September, 2015 at 11:30 AM

Meeting Venue: Grasim Staff Club, Birlagram, Nagda - 456 331
District Ujjain, Madhya Pradesh

Notice: [Click here](#) | Annual Report: [FY 2014-15](#)

Company Email: grasimshares@adityabirla.com

Company Phone: +91 7366 246 760 | Company Fax: +91 7366 244 114

Company Registered Office: Birlagram , Nagda, Madhya Pradesh - 456 331

SES RECOMMENDATIONS

TABLE 1 - AGENDA ITEMS AND RECOMMENDATIONS

S. No.	Resolution	Type	Recommendation	Focus
1	Adoption of Accounts	O	FOR	
2	Declaration of Dividend	O	FOR	
3	Reappointment of Mr. Kumar Mangalam Birla	O	AGAINST	G/F
4	Reappointment of Mr. N. Mohan Raj	O	FOR	
5	Appointment of Statutory auditors	O	AGAINST	G
6	Appointment of Mr. O. P. Rungta as an Independent Director	O	FOR	
7	Approval for issue of Non - Convertible Debentures	S	FOR	
8	Ratification of remuneration to be paid to Cost Auditor	O	FOR	
9	Approval of payment of part remuneration to Mr. Thomas Varghese	O	FOR	
10	Approval of appointment of Mr. Sushil Agarwal as Director	O	FOR	
11	Approval for appointment and remuneration of Mr. Sushil Agarwal as CFO	O	FOR	
12	Approval for maintaining registers of members & other registers/ records	S	FOR	

O - Ordinary Resolution; S - Special Resolution

RESEARCH ANALYST: RITIKA GUPTA

#Focus Terminology

C - Compliance: The Company has not met statutory compliance requirements

F - Fairness: The Company has proposed steps which may lead to undue advantage of a particular class of shareholders and can have adverse impact on non-controlling shareholders including minority shareholders

G - Governance: SES questions the governance practices of the Company. The Company may have complied with the statutory requirements in letter. However, SES finds governance issues as per its standards.

T - Disclosures & Transparency: The Company has not made adequate disclosures necessary for shareholders to make an informed decision. The Company has intentionally or unintentionally kept the shareholders in dark.

KEY ISSUES

Clubbed resolutions: Shareholders may note that the although the Company has divided the resolution into two parts viz. (a) & (b) for Standalone and Consolidated financial statements approval, the Proxy Form attached does not allow separate voting. Therefore the resolution is a unified and clubbed Resolution or even if the resolutions segregated in the e-voting platform, there is information asymmetry between shareholders who would use proxy form to vote vs shareholders who will use E-voting platform. SES is of the opinion that these are two different items (and the Company has differentiated so on its own) and the shareholders should be given the choice/ right to consider the items independent of each other, separately. SES does not consider bunching of resolution a good governance practice.

Skewed remuneration to Promoter directors: Mr. Kumar Birla Managalam is paid almost 80% of total remuneration paid to the non- executive directors on the board. SES finds that the Company has not provided any justification on why Mr. Birla's commission is disproportionate to commission paid to the other non-executive directors. ([View details](#))

Appointment of Auditors: It is not in accordance with Section 139 of the Companies Act, 2013. ([View details](#))



COMPANY BACKGROUND

TABLE 2 - MARKET DATA (As on 26th August, 2015)

Price (₹)	3,422.30	M Cap (₹ Cr.)	31,435.10	Shares*	9,18,52,757	PE Ratio"	59.32
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Standalone Data ; Source: Capitaline

* As on 30th June, 2015

"Based on EPS for FY 15

TABLE 3: FINANCIAL INDICATORS (STANDALONE)

(In ₹ Crores)	2015	2014	2013
Revenue	6,332.58	5,603.50	5,255.01
Other Income	348.07	384.79	434.57
Total Income	6,680.65	5,988.29	5,689.58
PBDT	947.47	1,204.60	1,688.09
Net Profit	529.90	895.99	1,225.99
EPS (₹)	57.69	97.58	133.62
Dividend per share (₹)	18.00	21.00	22.50
Dividend Pay-Out (%)	36.27	25.01	19.57
OPM (%)	15.58	22.24	32.87
NPM (%)	8.37	15.99	23.33

Dividend pay-out includes Dividend Distribution Tax. Source: Capitaline

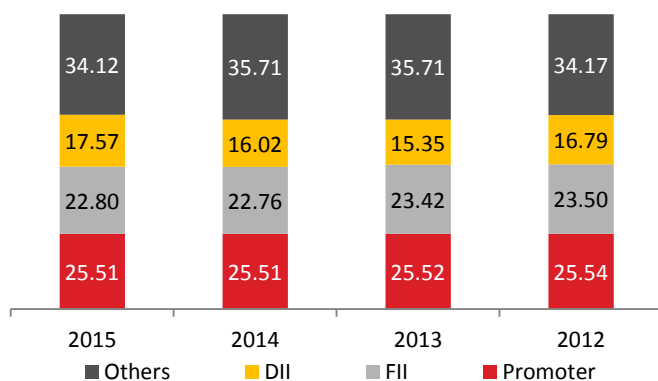
TABLE 5: MAJOR PUBLIC SHAREHOLDERS (JUN' 15)

Life Insurance Corporation of India	7.75%
ICICI Prudential Life Insurance Company Ltd	3.55%
Aberdeen Global Indian Equity Mauritius Ltd	3.40%
Europacific Growth Fund	1.68%
Aberdeen Engineering Markets Fund	1.68%
HDFC Trustee Company Ltd- HDFC Equity Fund	1.12%
Fidelity Investments Trust Fidelity Series Emerging	1.11%

TABLE 6: MAJOR PROMOTERS (JUN' 15)

Turquoise Investments & Finance Pvt	6.43%
Trapti Trading & Investments Pvt Ltd	5.96%
Pilani Investment & Industries	4.68%
TGS Investment & Trade Pvt Ltd	3.02%
Hindalco Industries Ltd	2.50%
Umang Commercial Company Ltd	1.74%
IGH Holdings Pvt Ltd	0.58%

SHAREHOLDING PATTERN (%) (JUNE)



Graph 1: Yearly Shareholding Pattern

DISCUSSION

FII's shareholding increased from 22.76% as on 1st July, 2014 to 22.80% as on 30th June, 2015. DII's shareholding increased from 16.02% to 17.57% during the said period. No new shares were issued during the said period. There has been no change in the promoters' shareholding during this period.



BOARD OF DIRECTORS

TABLE 7 - BOARD PROFILE


Director		Classification		Expertise/Specialization	Tenure (Year)	[1] Directorship	[2] Committee Membership	Pay(₹ Lakh)
		Company	SES					
Kumar M Birla	<u></u>	NEDP(C)(R)	NEDP(C)(R)	Industrialist	23	10(20)	-	451.85
Rajashree Birla		NEDP(R)(W)	NEDP(R)(W)	Industrialist	19	10(20)	-	32.60
Shailendra K Jain		NED(R)	NED(R)	General Management	12	4(5)	1(0)	12.60
N Mohanraj Nair	<u></u>	NED(R)	NED(R)	Insurance	3	1(1)	-	4.40
Madhav L Apte		ID	NID	Industry specialist	28	7(7)	5(1)	15.20
B Bhargava		ID	NID	Banking & Project Finance	18	7(7)	7(4)	17.85
R C Bhargava		ID	NID	General Management	15	8(9)	8(4)	14.10
T M Connelly Jr		ID	ID	General Management	5	1(1)	-	3.70
Cyril S Shroff		ID	NID	Solicitor	15	1(16)	1(0)	6.45
Om P Rungta	<u></u>	ID	ID	Consultant	1	1(1)	-	3.00
K Maheshwari		MD	MD	General Management	5	1(5)	1(0)	805.00
Sushil Agarwal	<u></u>	ED	ED	General Management	-	7(20)	3(0)	-

Reference: ED - Executive Director, NED- Non-Executive Director, ID - Independent Director, NID- Non-Independent Director, P- Promoter, W - Woman Director, R- Liable to retire by Rotation, U- Up for Re-appointment, A- New Appointment, MD- Managing Director, C- Chairman

[1] Directorships show Directorships in Public Companies (Total Directorships which include Directorships in both Public and Private Companies)

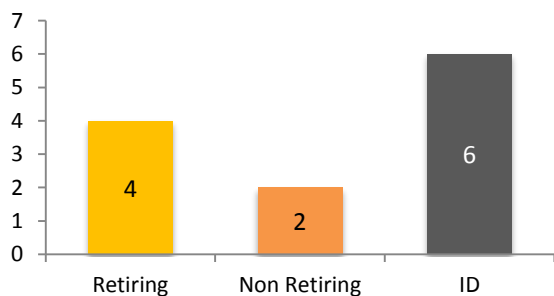
[2] Committee memberships include committee chairmanships

Note: Directorships, committee membership and committee chairmanship includes such positions in Grasim Industries Ltd

 Items deserving attention due to contentious or governance issues

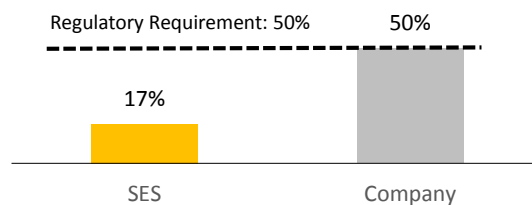
Mr. Madhav Apte, Mr. B Bhargava, Mr. R C Bhargava and Mr. Cyril Shroff are associated with the Company for more than 10 years. SES as a policy does not consider directors associated with the Company for more than 10 years to be Independent. Therefore, SES has classified them NID in the above table.

BOARD COMPOSITION



Graph 2: Liable to retire by rotation (As per Company)

As per provisions of Section 149 and 152 of the Companies Act, 2013 Independent Directors shall not be liable to retire by rotation and unless provided by the Articles of the Company at least 2/3rd of the Non-Independent Directors should be liable to retire by rotation. 4 out of 6 non-independent directors are liable to retire by rotation. Thus, the Company is compliant with the law.



Graph 3: Board Independence Classification

As per Clause 49(ii)(A) of the Listing Agreement, the Company should have at least 50% independent directors as the Board Chairman is a promoter director. However, 4 directors have been associated with the Company for more than 10 years. SES as a policy does not consider them to be Independent. Therefore, as per SES classification, the Board is only 17% independent.



TABLE 8 - BOARD COMMITTEE PERFORMANCE

Committees	#	Chairman's Classification		Overall Independence		Number of Meetings	Attendance < 75%
		Company	SES	Company	SES		
Audit	3	ID	NID	100%	0%	6	-
Stakeholders' Relationship	4	ND	ND	75%	0%	1	Cyril S Shroff (0%)
Nomination & Remuneration	3	ID	NID	67%	0%	2	Cyril S Shroff (50%)
CSR	4	NEDP	NEDP	25%	0%	1	-

Reference: NED- Non-Executive Director, ID - Independent Director, NID- Non-Independent Director, P- Promoter, #- Number of Members, ND- Not disclosed

TABLE 9 - BOARD GOVERNANCE TABLE (AS PER SES)

Criteria	Status
What is the percentage of Independent Directors on the Board?	17%
How many Independent Directors have tenure greater than 10 years?	4
How many Independent Directors have Shareholdings > ₹ 1 Cr?	0
Is the Chairman Independent?	No
Is there a Lead Independent Director?	^[1] No
How many Independent Directors are ex-executive of the Company?	0
Have all directors been elected by the Company's shareholders?	^[2] Yes
Are any directors on the Board related to each other?	Yes
How many promoter directors are on the Board?	2
Did Independent Directors meet at least once without management?	Yes

^[1] Although the Independent Directors have met at least once without the management, however, the Company has not disclosed the Chairman of the meetings. SES as a policy considers an Independent Director as Lead Independent Director under three conditions:

- Chairman of the Company is an Independent Director (as per SES classification).
- The Company has disclosed that meeting of Independent Directors chaired by a particular Independent Director (as per SES classification).
- The Company has disclosed the name of the Lead Independent Director and Lead Independent Director is classified as Independent Director as per SES classification.

Since none of the above conditions are met by the Company, SES is of the opinion that the Company does not have any Lead independent Director.

^[2] Mr. O P Rungta and Mr. Sushil Agarwal have been appointed as additional directors by the Board on 25th September, 2014 and 1st July, 2015 respectively but their appointment is subject to approval of shareholders at the ensuing AGM.



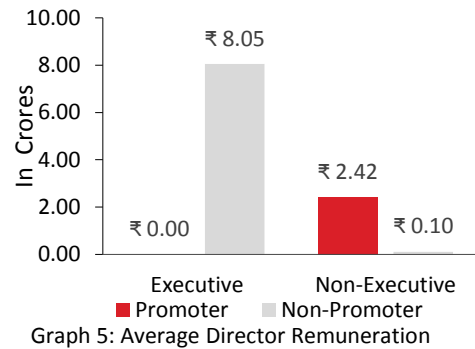
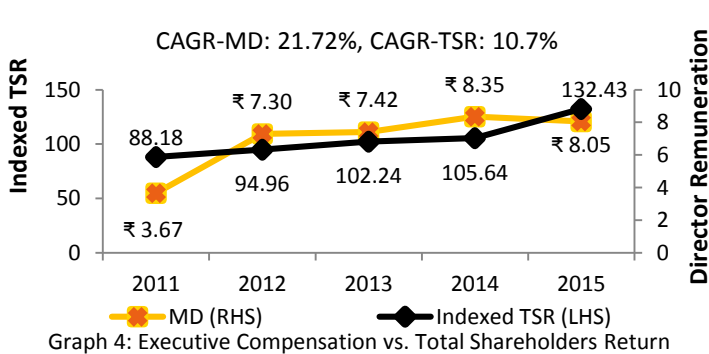
REMUNERATION ANALYSIS

TABLE 10 - EXECUTIVE DIRECTORS' REMUNERATION

In ₹ Crore		2015		2014		2013		Ratio
		Fixed Pay	Total Pay	Fixed Pay	Total Pay	Fixed Pay	Total Pay	
Krishnakishore Maheshwari	NP	5.80	8.05	5.71	8.35	5.38	7.42	216:1

Note: Fixed pay includes basic pay, perquisites & allowances. NP- Non- Promoter, Ratio- Ratio of ED's remuneration to Median Remuneration of Employees

DISCUSSION - INDEXED TSR vs. EXECUTIVE REMUNERATION



Note: Indexed TSR (Total Shareholders Return) represents the value of ₹100 invested in the Company at beginning of a 5-year period starting 1st April, 2011. One period return is calculated as (Final Price - Initial Price + Dividend) / Initial Price.

The remuneration paid to managing director of the Company is reasonable given the size and performance of the Company. It can be inferred from the graph that the growth in total shareholders' return is less than the growth in remuneration of Mr. Krishna Kishore Maheshwari as CAGR of his remuneration is 21.72% whereas CAGR - TSR is 10.70%.

DISCLOSURES

DISCLOSURE REQUIRED IN DIRECTOR'S REPORT

The Companies Act, 2013 requires the listed companies to make certain disclosures in Board's Report. The table below shows the status of compliance of such some important requirements, by the Company

<input checked="" type="checkbox"/> Content of Corporate Social Responsibility Policy in prescribed format (if applicable)	<input checked="" type="checkbox"/> Statement on performance evaluation of Board, Committees and Directors
<input checked="" type="checkbox"/> Extract of the Annual Return as per Form No. MGT 9	<input checked="" type="checkbox"/> Related Party Transactions as per Form No. AOC.2
<input checked="" type="checkbox"/> Company's policy on appointment of directors and criteria for determining qualifications, positive attributes, director's independence	<input checked="" type="checkbox"/> Ratio of the remuneration of executive director to the median employees remuneration
<input checked="" type="checkbox"/> Policy on remuneration of Directors, KMP and other employees	<input checked="" type="checkbox"/> Secretarial Audit Report
<input checked="" type="checkbox"/> Statement on declaration by Independent Directors	<input checked="" type="checkbox"/> Directors' Responsibility Statement
<input checked="" type="checkbox"/> Particulars of loans, guarantees or investments	<input checked="" type="checkbox"/> Details of establishment of Vigil Mechanism
<input checked="" type="checkbox"/> Statement indicating development and implementation of a risk management policy	<input checked="" type="checkbox"/> *Comments on qualifications made by Statutory Auditors/ CS

* Auditors have not made any qualification in their report.

RESOLUTION ANALYSIS

RESOLUTION 1: ADOPTION OF ACCOUNTS

- a) Adoption of the Audited Financial Statements of the Company for the financial year ended 31st March, 2015 together with the Reports of the Board of Directors and Auditors thereon; and
- b) Adoption of the Audited Consolidated Financial Statement of the Company for the financial year ended 31st March, 2015 together with the Report of the Auditors thereon

SES RATIONALE

Unqualified accounts. Compliant with Accounting Standards.

SES RECOMMENDATION

This is a standard resolution. The Auditors have not raised any qualification in their Report. No concern has been identified other than clubbing of resolutions. SES recommends that shareholders vote **FOR** the Resolution.

SES ANALYSIS

Note: Detailed analysis of the accounts is not within the scope of SES' activities. SES accepts the Report of the Directors and the Auditors to be true and fair representation of the company's financial position. The analysis below is aimed at enabling shareholders engage in discussions with the Board/ Management during the AGM.

AUDIT QUALIFICATIONS

The Auditors have not made any qualification in their report.

AUDITORS' COMMENTS ON STANDALONE ACCOUNTS

As per Auditors' opinion, the standalone financial statements give the information required by the 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 31st March, 2015, and its profit and its cash flows for the year ended on that date.

AUDITORS' COMMENTS ON CONSOLIDATED ACCOUNTS

As per Auditors' opinion, the consolidated financial statements give the information required by the 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, its associates and jointly controlled entities as at 31st March, 2015, and their consolidated profit and their consolidated cash flows for the year ended on that date.

However, Auditors have drawn attention to following matters:

Note 4.7.5 to the consolidated financial statements which, describes the uncertainty related to the penalty of ₹1,175.49 crores imposed by the Competition Commission of India (CCI) on UltraTech Cement Limited (UTCL), a subsidiary of the Company, along with certain other cement manufacturing companies, for alleged cartelisation, for which no provision has been made based on a legal opinion obtained by UTCL.

Auditors' opinion is not modified in respect of this matter.

Unaudited accounts of the 4 entities have been included in the consolidated accounts:

Consolidated Entity (all figures in ₹ Cr.)	Total Assets	Total Revenue	Net Profit	Net Cash Flow
1 Subsidiary and 3 Jointly controlled entities	103.69	0.08	ND	4.69



ACCOUNTING POLICIES

The financial statements have been prepared and presented in accordance with the Generally Accepted Accounting Principles (GAAP) in India under historical cost convention on accrual basis and comply in all material aspects.

FINANCIAL INDICATORS

	Mar' 15	Mar' 14	Shift	Company's Discussion
Debtors Turnover	9.72	9.76	-0.41%	-
Inventory Turnover	4.66	4.94	-5.67%	-
Interest Coverage Ratio	25.09	30.01	-16.39%	-
Current Ratio	2.29	2.37	-3.38%	-
Debt Equity Ratio	0.08	0.10	-20.00%	-
Operating Profit Margin (%)	15.58	22.24	-29.95%	Not discussed by the Company
Net Profit Margin (%)	8.37	15.99	-47.65%	Depreciation increased due to commissioning of VSF plant at Vilayat.
Operating Cash Flow/ Sales (%)	6.73	1.04	547.14%	Not discussed by the Company

Source: Company's Annual Reports

SES is of the opinion that board should take note of structural shift (positive and negative both) in various financial parameters which have a bearing on company's future performance and positioning in market place and disclose an analysis of the same to shareholders. SES believes that 25% change either way should be the threshold for triggering analysis and disclosure requirements.

CONTINGENT LIABILITIES

(All figures in ₹ Crore)	Mar' 15	Mar' 14
Total contingent liabilities	334.07	358.43
Net worth of the Company	11,182.92	10,827.58
Contingent liabilities as a percentage of net worth	2.99%	3.31%

Source: Company's Annual Reports

Major part of contingent liabilities is constituted by Income Tax amounting to ₹ 156.88 Crores.

RELATED PARTY TRANSACTIONS

Outstanding (₹ Crore)	Mar' 15	Mar' 14	Shift	Comments
Loans and Advances	39.94	33.53	19.12%	Loan due to subsidiary, Grasim Bhiwani Textiles Limited increased to ₹27.90 Crores during the year
Payables	117.80	87.43	34.74%	Amount due to AV Cell, Inc. and AV Nackawic, Inc increased during the year
Receivables	14.35	19.23	-25.38%	Amount due from Birla Jingwei Fibres Company Limited increased during the year

Source: Company's Annual Reports

STANDALONE VS CONSOLIDATED ACCOUNTS

(In ₹ Crore)	Standalone Accounts			From Subsidiaries			Consolidated Accounts		
	FY 14/15	FY 13/14	FY 12/13	FY 14/15	FY 13/14	FY 12/13	FY 14/15	FY 13/14	FY 12/13
Revenue	6,333	5,604	5,255	26,515	23,720	22,654	32,847	29,323	27,909
Net Profit	530	896	1,226	1,214	1,176	1,478	1,744	2,072	2,704
Total Assets	14,367	13,878	13,066	39,686	33,870	31,066	54,054	47,748	44,132
Net Worth	11,183	10,828	10,122	11,957	10,787	9,535	23,140	21,614	19,657
Net Profit Margin (%)	8.37%	15.99%	23.33%	4.58%	4.96%	6.53%	5.31%	7.06%	9.69%



(In ₹ Crore)	Standalone Accounts			From Subsidiaries			Consolidated Accounts		
	FY 14/15	FY 13/14	FY 12/13	FY 14/15	FY 13/14	FY 12/13	FY 14/15	FY 13/14	FY 12/13
ROA (%)	3.69%	6.46%	9.38%	3.06%	3.47%	4.76%	3.23%	4.34%	6.13%
RONW (%)	4.74%	8.28%	12.11%	10.15%	10.90%	15.51%	7.54%	9.58%	13.76%

Source: Company's Annual Reports

No issue has been identified regarding the consolidated financial statements of the Company.

Clubbed resolution: The proposed resolution is a clubbed resolution and SES is of the opinion that standalone and consolidated accounts are two different items (and the Company has differentiated so on its own) and the shareholders should be given the choice/ right to consider the items independent of each other, separately. However, it is a drafting issue. Therefore SES is not raising any concern. (Refer to [key issues](#))

RESOLUTION 2: DECLARATION OF DIVIDEND

Declaration of Dividend on equity shares for the financial year ended 31st March, 2015

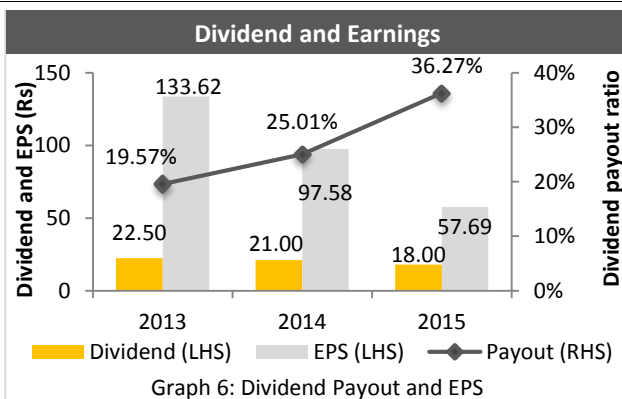
SES RATIONALE

Compliant with Law. The Company has funds/ability to pay the dividend.

SES RECOMMENDATION

No concerns have been identified. The Company has funds/ability to pay the dividend. SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS



The Board has recommended dividend of ₹18 per Equity Share for the year, which on approval will result in total payout of ₹168.7 Crores inclusive of Corporate Dividend Tax. The Company has sufficient cash to pay the dividend. No concern has been identified in this regard.

RESOLUTION 3 & 4: REAPPOINTMENT OF NON-EXECUTIVE DIRECTORS

#3: Appointment of Director in place of Mr. Kumar Mangalam Birla (DIN: 00012813) who retires by rotation and being eligible offers himself for re-appointment

#4: Appointment of Director in place of Mr. N. Mohan Raj (DIN: 00181969) who retires by rotation and being eligible offers himself for re-appointment

SES RATIONALE

3: Skewed remuneration – Governance issue

4: Appointment compliant with the law. No governance issue observed

SES RECOMMENDATION

3: In FY 2014-15, the remuneration paid to Mr. Birla was almost 80% of the remuneration paid to the other non-executive directors of the Company. The Company has not made a clear disclosure on the reason for skewed distribution of remuneration amongst the non-executive directors of the Company. SES is of the opinion that the remuneration paid to Mr. Birla is excessive compared to that of other non-executive directors of the Company. Further, Mr. Birla has not attended any of the last three AGMs. Based on the attendance record, SES is of the opinion that Mr. Birla has not been able to devote sufficient time to the Company’s affairs, especially so given the fact that Mr. Birla is the Chairman of the Board. Therefore, SES recommends that shareholders vote **AGAINST** the resolution. SES vote does not indicate whether the commission is justified on merit or not, however it does indicate that proper reasons are not given and disclosures are short of good governance standards.

4: No concern has been identified with respect to the profile, time commitments, remuneration package and performance of Mr. N Mohanraj Nair. SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS

DIRECTORS' PROFILE

	Kumar Mangalam Birla	N Mohanraj Nair
Current full time position	None	None
Functional Area	Industrialist	Insurance
Education	ACA, MBA	M.A. (Eco.)
Past Experience	Associated with the Company for more than 23 years	-
Committee positions in the Company	NR(M)	None
Retirement by rotation	Retiring	Retiring
Part of promoter group?	Yes	No
SES Recommendation	AGAINST	FOR

NR - Nomination & Remuneration Committee, M - Member

DIRECTORS' TIME COMMITMENTS

Criteria	Kumar Mangalam Birla	N Mohanraj Nair
Total Directorships	20	1
Total Committee memberships	0	0
Total Committee Chairmanship	0	0
Full time role/ executive position	0	0



Note: Committee memberships include Committee chairmanships, Total Directorships include Directorships in Public as well Private Companies

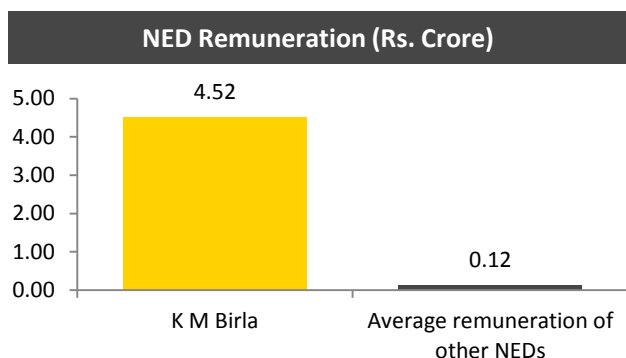
DIRECTORS' PERFORMANCE

Attendance record	Kumar Mangalam Birla	N Mohanraj Nair
Last 3 AGMs	0/3	2/3
Board meetings held last year	80%	100%
Board meetings in last 3 years (avg.)	86%	85%
Nomination & Remuneration Committee meetings held last year	100%	NA

REMUNERATION of Mr. N MOHANRAJ NAIR

The remuneration of Mr. N Mohanraj Nair is aligned with the remuneration paid to other non-executive directors.

REMUNERATION OF MR. BIRLA



Graph 7: NED remuneration

It should be noted that out of ₹ 5.62 crore paid as remuneration to non-executive directors, ₹ 4.52 crore (80%) was paid to Mr. K M Birla, a promoter non-executive director of the Company. His remuneration was more than 37 times the average remuneration paid to the other non-executive directors of the Company. Further, his remuneration is approximately 50% of the remuneration paid to the MD of the Company.

SES believes that the remuneration policy of the Company is not transparent and is skewed in favor of the promoter director. SES finds that the Company has not provided any justification on why Mr. Birla's commission is disproportionate to commission paid to the other non-executive directors. Shareholders may note that Mr. Birla himself is member of Nomination and Remuneration Committee. Shareholders would draw a conclusion that such a differential treatment is given to Mr Birla as he is the promoter chairman and extracting ownership premium. SES is confident if proper reasons are given there would be, in all probability no objection from shareholders. However, till there is lack of disclosures the same will remain a presumption.

In conclusion, SES is of the opinion that the remuneration policy followed by the Company is non-transparent and may not be fair. SES recommends that shareholders should seek clarifications on the non-executive directors' remuneration policy, from the Chairman of the Remuneration Committee of the Company and ask the Company to improve its disclosures.



RESOLUTION 5 & 8: APPOINTMENT OF AUDITORS AND RATIFICATION OF REMUNERATION OF COST AUDITORS

#5: Re-appointment of M/s. G. P. Kapadia & Co., Chartered Accountants and Deloitte Haskins & Sells LLP, Chartered Accountants the retiring Joint Statutory Auditors of the Company and to fix their remuneration

#8: Ratification of remuneration to be paid to Cost Auditor M/s R. Nanabhoy & Co., Cost Accountants for financial year 2015-16

SES RATIONALE

#5: Appointment not in accordance with section 139 of Companies Act 2013

#8: No governance issue observed

SES RECOMMENDATION

#5: M/s. G.P. Kapadia & Co. and M/s. Deloitte Haskins & Sells LLP have been the Auditors of the Company for 19 years and 6 years respectively and the Company proposes to seek their re-appointment by a single resolution.

SES recommends that separate voting should be held for the reappointment of both Auditors.

Provisions of Sub Section 139(2) of the Companies Act, 2013 state that auditors should not have tenure of over 10 years. Although the Act and the Rules thereunder provide a transition period of up to 3 years from commencement of the Act (i.e. on 1st April 2014), in certain cases, SES is of the opinion that the transition period is a one-time opportunity and the Company has already utilized the transition period available under the Act by appointing the M/s. G.P. Kapadia & Co. for a term of one year in last AGM held on 6th September, 2014. Further, Appointment of M/s. Deloitte Haskins & Sells LLP who has been associated with the Company for 6 years is not in accordance with Section 139 (1) of the Companies Act, 2013. Therefore, the proposed resolution for appointment of both the Auditors for a term of one year is not in accordance with law. Therefore, SES recommends that shareholders vote **AGAINST** the resolution.

#8: This is a standard resolution under Section 148 of the Companies Act, 2013. No concern has been identified in this regard. SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS

DISCLOSURES

Name of the auditor up for appointment	Disclosed in both Notice and Annual Report
Auditors' eligibility for appointment	Disclosed
Auditors' Independence certificate	Disclosed

AUDITORS' INDEPENDENCE

	M/s. G.P. Kapadia & Co	Deloitte Haskins & Sells
Auditors Tenure	19 years	6 years
Audit Partners	Atul B. Desai	Saira Nainar
Audit Partners' Tenure	6 years	1 year
Auditor's Network	NA	Deloitte Touche Tohmatsu

Mr Atul B. Desai has been associated as audit partner of M/s. G. P. Kapadia & Co. for 6 years. SES is of the opinion that the audit partner should be rotated on a regular basis. As per Section 139(3) of the Companies Act, 2013 shareholders may resolve to provide that the auditing partner and his terms shall be rotated at regular intervals.

Section 139(3) Subject to the provisions of this Act, members of a company may resolve to provide that;

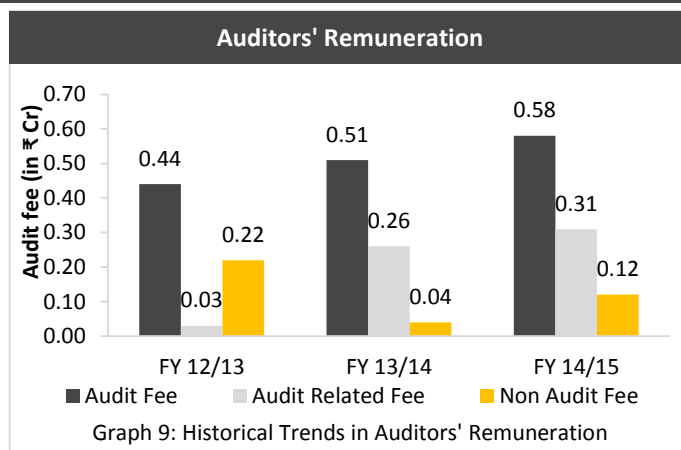
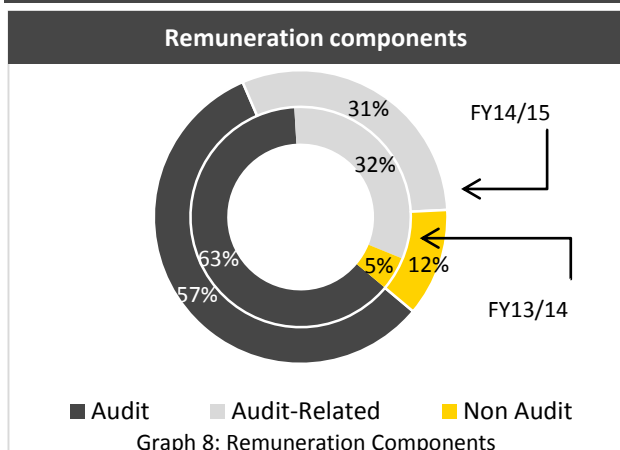


(a) In the audit firm appointed by it, the auditing partner and his team shall be rotated at such intervals as may be resolved by members; or

(b) The audit shall be conducted by more than one auditor

Financial interests in or association with the company: None

AUDITORS' REMUNERATION



TERM OF APPOINTMENT

The Company proposes to appoint M/s. G. P. Kapadia & Co., Chartered Accountants and Deloitte Haskins & Sells LLP, Chartered Accountants, as the Joint Statutory Auditors of the Company to hold office for a term of one year.

The provisions of the Act are effective from 1st April, 2014. Section 139 of the Companies Act, 2013 and the Rules made thereunder, provide for the appointment and rotation of auditors. As per this section, a company can appoint a firm as auditors for maximum two terms of five consecutive years each. An audit firm which has completed its term of 10 consecutive years shall not be eligible for re-appointment as auditors in the same company for 5 years from the completion of such term.

Provisions of the Companies Act, 2013 also state that the Auditors should not have tenure of over 10 years. Although the Companies Act, 2013 and the Rules thereunder provide a transition period of 3 years, SES is of the opinion that the transition period is a one-time opportunity and the Company has already utilized the transition period available under the Act by appointing the M/s. G. P. Kapadia & Co. for a term of one year in last AGM held on 6th September, 2014. The proposed resolution for appointment of M/s. G. P. Kapadia & Co. for a term of one year is not in accordance with law.

Furthermore, the provisions of Section 139(1) of the Act mandate the appointment of Auditors for a term of 5 years, unless 5 year term will exceed the total tenure of Auditors 10 years.

The Company proposes to appoint the Auditors, M/s. Deloitte Haskins & Sells LLP for a term of 1 year. SES is of the opinion that since the relevant provisions of the Companies Act, 2013 have been notified, the Company should have appointed the Auditors for a period of 4 years at the upcoming AGM, as the total tenure after such appointment for a period of 4 years, will not exceed the prescribed limit of 10 years. However, the proposed appointment of M/s. Deloitte Haskins & Sells LLP for a term of 1 year is not in accordance with the law.

COST AUDITORS

The Board, on the recommendation of the Audit Committee, has approved the appointment of M/s. R. Nanabhoy & Co., Cost Accountants (Registration No. 7464), to conduct the audit of the cost records of the Company, including audit of cost records of the Units of Aditya Birla Chemicals (India) Limited, post its merger with the Company, at a remuneration of a



sum not exceeding ₹ 2,65,000/- plus applicable taxes and reimbursement of actual travel and out of pocket expenses, for the financial year ending 31st March 2016.

In accordance with the provisions of Section 148(3) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor has to be ratified by the shareholders of the Company.

Therefore, the Company proposes to ratify the remuneration payable to the Cost Auditor for the financial year 2015-2016. This is standard enabling resolution under Section 148 of the Companies Act, 2013. No concern has been identified in this regard.



RESOLUTION 6: APPOINTMENT OF INDEPENDENT DIRECTOR

Appointment of Mr. O. P. Rungta (DIN: 00020559) as an Independent Director of the Company

- for a term of 5 consecutive years commencing from 25th September, 2014

SES RATIONALE

Appointment compliant with the law. No governance issue observed.

SES RECOMMENDATION

No concern has been identified with respect to the profile, time commitments, and performance of Mr. O P Rungta. SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS

COMPLIANCE

Is Company complying with the retirement policy?	Yes
Has the Company disclosed the Independence Certificate provided by the Independent Directors?	Yes
Has the Company disclosed the terms of appointment of Independent Directors?	Yes
Has the Company disclosed Board evaluation and Directors' Evaluation Policy?	Yes
Did Independent Directors meet at least once without the Management?	Yes
Does the Company has a Lead independent Director?	No

DIRECTOR'S PROFILE

	Om Prakash Rungta
Current full time position	None
Functional Area	Consultant
Education	LLB, F.C.A.
Past Experience	Served as Senior Executive Vice President of Staple Fibre Division Nagda at Grasim Industries Ltd
Committee positions in the Company	None
SES Recommendation	FOR

DIRECTOR'S INDEPENDENCE

Criteria	Om Prakash Rungta
Current tenure/association	1 year
Shareholding	127 equity shares
Remuneration (₹ Lakhs)	3.00
SES Classification	Independent

DIRECTOR'S TIME COMMITMENTS

Criteria	Om Prakash Rungta
Total Directorships	1
Total Committee memberships	0
Total Committee Chairmanship	0
Full time role/ executive position	0

Note: Committee memberships include Committee chairmanships, Total Directorships include Directorships in Public as well Private Companies.



DIRECTOR'S PERFORMANCE

The Company has appointed Mr. O P Rungta with effect from 25th September, 2014. He has attended all the Board Meetings held during his tenure and he was paid a remuneration of ₹ 3 Lacs. No concern has been identified by SES.



RESOLUTION 7: ISSUE OF NON- CONVERTIBLE DEBENTURES

Approval for issue of Non - Convertible Debentures on private placement basis

SES RATIONALE

No dilution - No governance issue identified

SES RECOMMENDATION

Since, the securities to be issued are non- convertible in nature, they will cause no dilution to the shareholding of existing shareholders. Hence, SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS**OBJECTIVE OF THE ISSUE**

In order to augment long-term resources for financing, inter alia, to meet the liabilities, if any, of Aditya Birla Chemicals (India) Limited (ABCIL) post the merger of ABCIL with the Company, capital expenditure, prepayment of high cost debts and/ or general corporate purposes, the Company may offer or invite subscription for secured / unsecured redeemable NCDs, in one or more series / tranches on private placement basis, issuable / redeemable at par on such terms and conditions as the Board of Directors may from time to time determine.

DETAILS OF THE ISSUE

Securities to be issued: Non-convertible debentures

Issue Type: Private Placement

Issue Size: Up to ₹ 2,000 Crores

Issue Price: based around the then prevailing market price of similar rated securities issued by other companies.

DILUTION TO SHAREHOLDING

There will be no dilution to the shareholding of existing shareholders as the securities proposed to be issued are non-convertible in nature.

SES VIEW

The approval of the Members be and is hereby accorded to the Board of Directors of the Company (herein after referred to as the "Board" which term shall be deemed to include any Committee thereof or any person authorized by the Board in this behalf) for making one or more offer(s) or invitation(s) to subscribe to Non-Convertible Debentures (NCDs) in one or more series/ tranches during a period of one year from the date of this Annual General Meeting, of a sum not exceeding ₹ 2,000 Crore within the overall borrowing limits of the Company as approved by the Members, on a private placement basis.

The Company states that it intends to raise NCDs up to ₹ 2,000 Crores. Since the Company proposes to issue non-convertible debentures, it is not going to dilute the shareholding of the existing shareholders. No concern has been identified by SES.



RESOLUTION 9: PAYMENT OF PART REMUNERATION

Approval of payment of part remuneration to Mr. Thomas Varghese

SES RATIONALE

Compliant with Law, No governance issue observed.

SES RECOMMENDATION

No concern has been identified by SES regarding the payment of part remuneration of Mr. Thomas Varghese. Hence, SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS**DETAILS OF THE PART REMUNERATION**

The Company is seeking shareholders' approval by way of approval, confirmation and ratification for the payment of part remuneration of Mr. Thomas Varghese, for acting as Whole-time Director of Grasim Bhiwani Textiles Limited, a wholly-owned subsidiary of the Company, for the period commencing from 1st April 2014 to 30th June 2015, of a sum not exceeding ₹ 3.75 Crore

- (a) ₹ 2.48 Crore plus perquisites, for the period of 1st April 2014 to 31st March 2015; and
- (b) ₹ 0.62 Crore plus perquisites, for the period of 1st April 2015 to 30th June 2015

BACKGROUND

Mr. Thomas Varghese, a senior management employee of the Company, was deputed / seconded to oversee the operations of Grasim Bhiwani Textiles Limited (GBTL), a wholly owned subsidiary of the Company. GBTL had appointed Mr. Thomas Varghese as its Whole-time Director (WTD) w.e.f. 1st April 2014 for a period of 3 years after obtaining the approval of the shareholders for his appointment and remuneration. On 23rd April 2015, Mr. Thomas Varghese tendered his resignation as the WTD of GBTL w.e.f. the close of business hours on 30th June 2015.

On account of inadequacy of profits of GBTL in the financial year 2014-15 and for the period 1st April 2015 to 30th June 2015 and in light of the limits on managerial remuneration thereby applicable to GBTL under Section 197 and other applicable provisions of the Companies Act, 2013 (the Act), GBTL was eligible to pay Mr. Thomas Varghese, remuneration up to a sum of ₹1.20 Crore per annum.

SES ANALYSIS

In terms of the provisions of Section 197 read with Section III(a) of Part II of Schedule V of the Act, a company (in this case, GBTL) is entitled to pay remuneration in excess of the limits applicable under Section 197 read with Section II of Part II of Schedule V of the Act, without Central Government approval, if:

- (a) the remuneration in excess of such limits is paid by any other company and such other company is either a foreign company or has got the approval of its shareholders in general meeting to make such payment; and*
- (b) such other company treats the aforementioned amount as managerial remuneration for the purpose of Section 197 and the total managerial remuneration payable by such other company to its managerial persons, including such aforementioned amounts, is within permissible limits under Section 197.*

The said payment has been treated as managerial remuneration by the Company for the purposes of Section 197 of the Act. No concern has been identified by SES in this regard.



RESOLUTION 10 & 11: APPOINTMENT OF EXECUTIVE DIRECTOR

#10: Approval of appointment of Mr. Sushil Agarwal (DIN 00060017) as Director of the Company

#11: Approval of appointment and remuneration of Mr. Sushil Agarwal (DIN 00060017), as the Whole Time Director and CFO of the Company

- for a term of five years w.e.f. 1st July 2015

SES RATIONALE

#10 & #11: Appointment compliant with the law. No governance issue observed.

SES RECOMMENDATION

#10 & #11: No concern has been identified with respect to the profile of Mr. Sushil Agarwal. SES recommends that shareholders vote **FOR** both the resolutions.

SES ANALYSIS

DIRECTOR'S PROFILE

	Sushil Agarwal
Current full time position	Chief Financial Officer of Grasim Industries Limited
Functional Area	General Management
Education	A.C.A.
Part of promoter group?	No
Past Experience	Chief Financial Officer of Aditya Birla Nuvo Limited
Committee positions in the Company	SR(M), RM(M)
Retirement by rotation?	Non-Retiring
SES Recommendation	FOR

SR - Stakeholders' Relationship Committee, RM: Risk Management Committee, M - Member

DIRECTORS' TIME COMMITMENTS

Criteria	Sushil Agarwal
Total Directorships	20
Total Committee memberships	3
Total Committee Chairmanship	0
Full time role/ executive position	1

Note: Committee memberships include Committee chairmanships, Total Directorships include Directorships in Public as well Private Companies

REMUNERATION PACKAGE

Component	Proposed Remuneration	Comments
Basic Pay	Proposed salary: ₹ 7.11 lacs per month	
Perquisites/ Allowances	All perquisites clearly defined: Yes Special allowances: ₹ 6.72 lacs per month	Cap placed on perquisites: Not disclosed Cap placed on Special Allowances: Yes, subject however to a ceiling of ₹ 17 Lacs per month
Variable Pay	Yes, Performance Bonus linked to the achievement of targets	Performance criteria disclosed: Yes Cap placed on variable pay: Yes subject to a maximum of ₹ 2.70 Crores per annum
Severance Pay	The Company has provided a limit to other	-



Component	Proposed Remuneration	Comments
	remuneration elements, for e.g. Change in Control (CIC) agreements, severance agreements, to instances of compelling business need or competitive rationale and generally do not provide for any tax gross-ups for the executives.	
Notice Period	3 months	-
Minimum Remuneration	Remuneration including the perquisites and benefits as aforesaid in accordance with the applicable provisions of the Act and subject to the approval of the Central Government, if required.	Within limits prescribed: Yes Includes variable pay: Yes

The Company proposes to pay the entire remuneration, including variable pay, to Mr. Sushil Agarwal even in case of inadequate profit. SES is of the opinion that variable pay should be aligned to the Company's performance as well as individual's target. However, The Company has stated that minimum remuneration is in accordance with the applicable provisions of the Act and subject to the approval of the Central Government, if required. Therefore, SES is not raising any concern.

The Company has appointed Mr. Sushil Agarwal with effect from 1st July, 2015. Therefore, no remuneration has been paid to him for financial year 2014-15.

RESOLUTION 12: CHANGE OF LOCATION TO MAINTAIN REGISTERS

Approval for maintaining registers of members, debenture holders and other security holders and related registers / records at a place other than the Registered Office of the Company

SES RATIONALE

No governance issue observed.

SES RECOMMENDATION

No concern has been identified in the resolution. SES recommends that shareholders vote **FOR** the resolution.

SES ANALYSIS

The Board of Directors of the Company has granted its approval to transfer all the existing securities related activities presently being carried out in-house to an external Registrar & Transfer Agent and in this regard has appointed Sharepro Services (India) Private Limited (Sharepro) as its Registrar & Transfer Agent (RTA) w.e.f. 1st October 2015.

The Company has sought shareholders' approval for keeping the registers of members, debenture holders and other security holders and such other related registers, documents, records, etc. of the Company, at the office of the Company's Registrars and Transfer Agents, (Registrars) Sharepro Services (India) Private Limited (appointed as such with effect from 1st October 2015), at its office situated at 13AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane, Off. Andheri-Kurla Road, Sakinaka, Andheri (East), Mumbai 400 072, instead of keeping the same at the registered office of the Company at Birlagram, Nagda - 456 331, District Ujjain, Madhya Pradesh.

The registers, indexes, returns, documents etc. as aforesaid be kept open for inspection for persons entitled thereto at the above mentioned place, between the hours of 10.30 a.m. and 1.30 p.m. on any working day of the Registrars except when the Registers and Books are closed.

Under the provisions of the Companies Act, 2013 (the "Act") the Company can maintained & record the above said registers and documents at any other place within the city, town or village in which the registered office is situated or any other place in India, in which more than one-tenth of the total members entered in the register of members reside if a special resolution is passed in a general meeting.

Since more than one-tenth of the total members entered in the register of members reside in the city of Mumbai, the proposal to maintain the registers and records in the new premises at Mumbai would be in compliance with such requirement under Section 94 of the Companies Act, 2013.

Hence, in view of the enabling provisions of the Companies Act, 2013 as stated above, the Company is seeking the consent of the shareholders by way of special resolution to maintain the registers and records at the new premises of Registrar & Transfer Agents. No concern has been identified in the resolution.

DISCLAIMERS**Sources**

Only publicly available data has been used while making the report. Our data sources include: BSE, NSE, SEBI, Capitaline, Moneycontrol, Businessweek, Reuters, Annual Reports, IPO Documents and Company Website.

Analyst Certification

The analysts involved in development of this report certify that no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

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