

Board's Report

TO THE MEMBERS OF GRASIM INDUSTRIES LIMITED

Your Directors are pleased to present the 71st Annual Report of the Company along with the Audited Financial Statements for the financial year ended 31st March 2018.

FINANCIAL HIGHLIGHTS

(₹ in Crore)

	Consolidated		Standalone	
	2017-18	2016-17	2017-18	2016-17
Revenue from Operations	57,338.20	40,247.17	16,034.71	11,252.95
Earnings Before Interest, Depreciation/Amortisation and Tax (EBITDA)	10,881.09	8,332.89	3,541.54	2,628.70
Less: Finance Costs	1,359.13	702.40	128.13	57.62
Less: Depreciation and Amortisation	2,724.36	1,807.59	627.66	446.14
Profit Before Share in Profit/(Loss) of Equity Accounted Investees, Exceptional Items and Tax	6,797.60	5,822.90	2,785.75	2,124.94
Share in Profit/(Loss) of Equity Accounted Investees	(727.44)	129.41	-	-
Exceptional Items	(432.85)	-	(272.61)	-
Profit Before Tax (PBT)	5,637.31	5,952.31	2,513.14	2,124.94
Tax Expenses	1,947.12	1,706.70	744.48	564.94
Profit After Tax including Share in Profit/(Loss) of Equity accounted Investees and Profit of Life Insurance Business attributable to Participating Policyholders	3,690.19	4,245.61	1,768.66	1,560.00
Less: Profit of Life Insurance Business attributable to Participating Policyholders	(2.57)	-	-	-
Attributable to:	3,687.62	4,245.61		
Shareholders of the Company	2,678.58	3,167.30	1,768.66	1,560.00
Non-Controlling Interest	1,009.04	1,078.31	-	-
Other Comprehensive Income for the Year	(278.48)	963.44	(221.69)	1,011.53
Attributable to:				
Shareholders of the Company	(167.88)	951.48	(221.69)	1,011.53
Non-Controlling Interest	(110.60)	11.96	-	-
Total Comprehensive Income for the Year	3,409.14	5,209.05	1,546.97	2,571.53
Attributable to:				
Shareholders of the Company	2,510.70	4,118.78	1,546.97	2,571.53
Non-Controlling Interest	898.44	1,090.27	-	-

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016, and the relevant provisions of the Companies Act, 2013 ('the Act'), and guidelines issued by the Securities and Exchange Board of India ('SEBI'). The Company has adopted Ind AS with effect from 1st April 2015, i.e., the date of transition, as applicable for the Company.

DIVIDEND

Based on the Company's performance, the Directors are pleased to recommend for your approval, a dividend of ₹ 6.20 (Rupees Six and Paise Twenty Only) per equity share of ₹ 2/- each of the Company for the financial year ended 31st March 2018. The dividend, if approved by the members, would involve a cash outflow of ₹ 455.66 Crore (inclusive of Dividend Distribution Tax).

In terms of the provisions of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations (SEBI (LODR)), the Company has formulated a Dividend Distribution Policy. This Policy is given in **Annexure 'A'** to this Report and is accessible from the Company's website, www.grasim.com.

TRANSFER TO RESERVES

The Company proposes to transfer ₹ 1,000 Crore to the General Reserves.

PERFORMANCE REVIEW

On a consolidated basis, the revenue from operations for FY 2017-18, increased to ₹ 57,338 Crore, which was 42.46% higher than that of the previous year (₹ 40,247 Crore in FY 2016-17). The consolidated EBITDA increased to ₹ 10,881 Crore for FY 2017-18, which was 30.58% higher than that of the previous year (₹ 8,333 Crore in FY 2016-17). The increase in the consolidated revenue and consolidated EBITDA was mainly on account of growth in Viscose, Chemicals, Cement businesses and inclusion of performance of erstwhile Aditya Birla Nuvo Ltd. (ABNL), post-merger of ABNL with the Company, with effect from 1st July 2017, and cement assets acquired by UltraTech Cement Limited, with effect from 29th June 2017. Standalone financials for the current year include the performance of erstwhile ABNL, consequent to the merger with the Company, with effect from 1st July 2017 as stated above. Since the financial statements of the previous year do not include the performance of erstwhile ABNL, and that also of the acquired assets by UltraTech Cement Limited (at consolidated level), the financial performance of the current year is strictly not comparable with that of the previous year.

On a standalone basis, revenue from operations for FY 2017-18, increased to ₹ 16,035 Crore, which was 42.50% higher than that of the previous year (₹ 11,253 Crore in FY 2016-17). The standalone EBITDA increased to ₹ 3,542 Crore for FY 2017-18, which was 35% higher than that of the previous year (₹ 2,629 Crore in FY 2016-17).

The Management Discussion and Analysis section, focuses on the Company's strategies for growth and the performance review of the businesses/operations in depth.

STRATEGIC INITIATIVES

Composite Scheme of Arrangement

Vide its Order dated 1st June 2017, the National Company Law Tribunal, Bench at Ahmedabad (NCLT), has sanctioned the Composite Scheme of Arrangement between the

Company and Aditya Birla Nuvo Limited (ABNL) and Aditya Birla Financial Services Limited (now known as Aditya Birla Capital Limited) (ABCL) (Scheme). With effect from 1st July 2017 (the Effective Date 1), ABNL along with its assets, liabilities, contracts, employees, etc., stands amalgamated, in the manner provided in the Scheme.

With effect from 4th July 2017, (the Effective Date 2), the financial services business of the Company stands transferred to and vested in ABCL.

With the amalgamation becoming effective, ABCL and its subsidiaries have become the subsidiary companies of the Company.

The restructuring, in terms of the Scheme, has enabled the Company to extend its presence to the fast growing sectors such as financial services and telecom, and enhance long-term value for the shareholders. This will also enable ABCL to grow faster under the Company's strong parentage, and is expected to improve its credit profile and reduce its cost of borrowings, thereby enhancing its competitive positioning. The merger has also led to consolidation of similar businesses of the Company and ABNL.

Right to Manage and Operate the Viscose Filament Yarn Business of Century Textiles and Industries Limited ("CTIL")

During the financial year 2017-18, the Company entered into an agreement with CTIL for acquiring the Right to Manage and Operate the Viscose Filament Yarn Business (VFY Business) of CTIL, located at Shahad and Kalyan (Maharashtra), with effect from 1st February 2018. The acquisition has also led to consolidation of similar businesses, create synergy and leverage brand strength in value chain, for VFY business of the Company.

Idea Cellular Limited

Idea Cellular Limited (Idea) is an Associate of the Company, and the share of the Company in Profit of Idea has been consolidated in the Consolidated Financial Statements. Post-merger of Aditya Birla Nuvo Limited with the Company, the holding of the Company in Idea increased to 27.96%, which got revised to 23.13% on issue of additional equity capital by Idea in February 2018.

A scheme of amalgamation of Vodafone India Limited (VIL) and its wholly owned subsidiary Vodafone Mobile Services Limited (VMSL) with Idea is under implementation, under which VIL will get amalgamated with Idea, subject to requisite regulatory and other approvals. On effectiveness of the scheme, the holding of the Company in Idea will be revised to ~11.5%.

Upon the amalgamation becoming effective, the entire business of VIL and VMSL (excluding VIL's investment in Indus Towers Limited, its international network assets and information technology platforms) will vest with Idea.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Companies Act, 2013 (Act), read with the Companies (Accounts) Rules, 2014, SEBI (LODR), and Ind AS 110 – Consolidated Financial Statements and Ind AS 28 – Investment in Associates and Joint Ventures – the Audited Consolidated Financial Statements are provided in this Report. The Consolidated Financial Statements have been prepared on the basis of the Audited Financial Statements of the Company, its subsidiaries, joint ventures and associate companies, as approved by their respective Board of Directors.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES

With effect from 1st July 2017, the subsidiary/associate companies of the erstwhile Aditya Birla Nuvo Limited have become the subsidiaries/associates of the Company.

In accordance with the provisions of Section 129(3) of the Act, read with Rule 5 of the Companies (Accounts) Rules, 2014, a report on the performance and financial position of each of the subsidiaries, associates and joint venture companies is given in **Annexure 'B'** to this Report.

In accordance with the provisions of Section 136(1) of the Act, the Annual Report of the Company, containing inter alia the audited standalone and consolidated financial statements, has been placed on the website of the Company, www.grasim.com. Further, the audited financial statements, along with related information and other reports of each of the subsidiary companies, have also been placed on the website of the Company, www.grasim.com.

In accordance with Section 136 of the Act, the financial statements of the subsidiary companies and related information are available for inspection by the Members at the Registered Office of the Company, during business hours up to the date of the Annual General Meeting (AGM). Any Member desirous of obtaining a copy of the said financial statements may write to the Company Secretary at the Registered Office of the Company.

SHARE CAPITAL

During the year 2017-18:

- Aditya Birla Nuvo Limited and Grasim Industries Limited and Aditya Birla Financial Services Limited (now known as Aditya Birla Capital Limited), the

Company allotted 190,462,665 equity share of ₹ 2/- each fully paid-up of the Company to the shareholders of the erstwhile Aditya Birla Nuvo Limited, as on the record date fixed on 6th July 2017.

- Allotted 71,660 equity shares of ₹ 2/- each pursuant to the exercise of stock options in terms of the Employees Stock Option Schemes of the Company.

During the year 2017-18, the Company has not issued shares with differential voting rights and sweat equity shares.

DEPOSITS

During the year under review, the Company has not accepted or renewed any deposit within the meaning of Section 73 of the Act, read with the Companies (Acceptance of Deposits) Rules, 2014, and as such, no amount of principal or interest was outstanding, as on the date of the Balance Sheet.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Pursuant to Section 186 of the Act and Schedule V of the SEBI (LODR), disclosures on particulars relating to loans, advances and investments are provided as part of the Financial Statements. There are no guarantees issued or securities provided by the Company in terms of Section 186 of the Act, read with the Rules issued thereunder.

ABRIDGED ANNUAL REPORT

In terms of the provisions of Section 136(1) of the Act, Rule 10 of the Companies (Accounts) Rules, 2014, and Regulation 36 of SEBI (LODR) Regulations, 2015, the Board of Directors has decided to circulate the Abridged Annual Report containing salient features of the Balance Sheet and Statement of Profit & Loss and other documents to the shareholders for the Financial Year 2017-18 under the relevant laws.

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

The Management's Discussion and Analysis Report for the year under review, as stipulated under Regulation 34 of the SEBI (LODR), forms an integral part of this Report.

CORPORATE GOVERNANCE

Your Directors re-affirm their continued commitment to best practices of Corporate Governance. Corporate Governance principles form an integral part of the core values of the Company.

In terms of Regulation 34 of the SEBI (LODR), a separate report on Corporate Governance, along with a certificate

from the Auditors' on its compliance, forms an integral part of this Report and is given as **Annexure 'C'** to this Report.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Appointment/Re-appointment of Directors

The Board, on the recommendations of the Nomination and Remuneration Committee of the Board of Directors of the Company, has appointed.

- Ms. Usha Sangwan (DIN: 02609263) as an Additional Director of the Company, with effect from 23rd May 2018. In terms of the provisions of the Act, Ms. Sangwan will hold office up to the date of the Annual General Meeting (AGM);
- Mr. Himanshu Kapania (DIN: 03387441) as an Additional Director of the Company, with effect from 14th August 2018. In terms of the provisions of the Act, Mr. Kapania will hold office up to the date of the AGM;
- Ms. Anita Ramachandran (DIN: 00118188) as an Additional Independent Director of the Company, with effect from 14th August 2018. In terms of the provisions of the Act, Ms. Ramachandran will hold office for a period of five years, i.e., up to 13th August 2023.

The Directors commend the resolutions for the appointment of Ms. Usha Sangwan, Mr. Himanshu Kapania and Ms. Anita Ramachandran as Directors on the Board of the Company, as indicated in the Notice of the AGM.

In accordance with the provisions of the Act and the Articles of Association of the Company, Mr. Shailendra K. Jain (DIN: 00022454) and Mrs. Rajashree Birla (DIN: 00022995), Directors of the Company, retire by rotation at the AGM and, being eligible, have offered themselves for re-appointment. Resolution seeking the re-appointments of Mr. Shailendra K. Jain and Mrs. Rajashree Birla have been included in the Notice of the AGM. Your Directors commend the Resolutions for your approval.

A brief resume of the Directors being appointed and re-appointed forms part of the Notice of the AGM.

Continuation of Directorship

In terms of the Regulation 17(1A) of SEBI (LODR) Regulations, 2015, approval of the shareholders by way of a special resolution is required for the appointment/continuation of directorship of non-executive directors, who have attained the age of 75 years, as on 1st April 2019.

The following Directors of the Company have/will attain the age of 75 years, as on 1st April 2019:

- Mr. M. L. Apte (DIN: 00003656) – Independent Director;
- Mr. B. V. Bhargava (DIN: 00001823) – Independent Director;
- Mr. O. P. Rungta (DIN: 00020559) – Independent Director; and
- Mr. Shailendra K. Jain (DIN: 00022454) – Non-Executive Director.

Based on the recommendations of the Nomination and Remuneration Committee, the Board has, subject to the approval of the shareholders, consented to the continuation of Directorship of the aforesaid Directors till the end of each of their respective tenures.

Your Directors commend the Resolutions for your approval.

Cessation

With effect from 23rd May 2018, Mr. N. Mohan Raj (DIN: 00181969) resigned from the Board of Directors of the Company. The Board places on record its deep appreciation and gratitude for the valuable contribution and advice offered by Mr. Mohan Raj during his tenure as Director on the Board of the Company.

Key Managerial Personnel

In terms of the provisions of Sections 2(51), 203 of the Act, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Mr. Dilip Gaur, Managing Director, Mr. Sushil Agarwal, Whole-time Director & Chief Financial Officer and Mrs. Hutokshi Wadia, President and Company Secretary are the Key Managerial Personnel of the Company.

During the financial year 2017-18, Mr. Dilip Gaur, Managing Director and Mr. Sushil Agarwal, Whole-time Director & Chief Financial Officer of the Company, have not received any commission / remuneration from the Company's Subsidiary Companies.

MEETINGS OF THE BOARD

The Board of Directors of your Company met 6 times during the year, details of which are given in the Corporate Governance Report forming, part of this Annual Report.

DECLARATION OF INDEPENDENCE

Your Company has received declarations from all the Independent Directors of the Company confirming that

they meet the criteria of independence as prescribed under the Act, read with Schedules and Rules issued under the SEBI (LODR).

FORMAL ANNUAL EVALUATION

The evaluation framework for assessing the performance of Directors of the Company comprises of contributions at the meetings, strategic perspective or inputs regarding the growth and performance of the Company, among others.

Pursuant to the provisions of the Act and the SEBI (LODR), the Directors have carried out the annual performance evaluation of the Board, Independent Directors, Non-Executive Directors, Executive Directors, Committees and the Chairman of the Board.

The Nomination and Remuneration Committee and the Board have laid down the manner in which formal annual evaluation of the performance of the Board, its Committees and individual Directors has to be made. It includes circulation of evaluation forms separately for evaluation of the Board and its Committees, Independent Directors/Non-Executive Directors/Executive Directors and the Chairman of the Company.

The details of the programme for familiarisation of Independent Directors of the Company are available on the Company's website, viz., www.grasim.com.

DIRECTORS' RESPONSIBILITY STATEMENT

The audited accounts for the year under review are in conformity with the requirements of the Act and the Accounting Standards. The financial statements reflect fairly the form and substance of transactions carried out during the year under review, and reasonably present the Company's financial condition and results of operations.

Your Directors confirm that:

- a) in the preparation of the Annual Accounts, the applicable accounting standards have been followed, along with proper explanations relating to material departures, if any;
- b) the accounting policies selected have been applied consistently, and judgements and estimates are made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2018 and of the profit of the Company for the year ended on that date;
- c) proper and sufficient care have been taken for the maintenance of adequate accounting records, in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) Annual Accounts have been prepared on a 'going concern' basis;
- e) the Company has laid down proper internal financial controls, and that such internal financial controls are adequate and were operating effectively; and
- f) your Company has devised proper systems to ensure compliance with the provisions of all applicable laws, and that such systems were adequate and operating effectively.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo stipulated under Section 134(3)(m) of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 is set out in **Annexure 'D'** to this Report.

AUDITORS AND AUDIT REPORTS

Statutory Auditors

Pursuant to the provisions of Section 139(1) of the Act, read with the Companies (Audit and Auditors) Rules, 2014, as amended from time to time:

- the members, at the 69th AGM held on 23rd September 2016, have approved the appointment of B S R & Co. LLP, Chartered Accountants (ICAI Firm Registration No. 101248W/W-100022), as Joint Statutory Auditors of the Company for a period of five consecutive years, till the conclusion of the 74th AGM of the Company to be held in the year 2021, subject to ratification of their appointment by the members at every AGM till 73rd AGM; and
- the members, at the 70th AGM held on 22nd September 2017, have approved the appointment of S R B C & Co. LLP, Chartered Accountants (ICAI Firm Registration No. 324982E), as Joint Statutory

Auditors of the Company for a period of five consecutive years, till the conclusion of 75th AGM of the Company to be held in the year 2022, subject to ratification of their appointment by the members at every AGM till 74th AGM.

Accordingly, necessary resolutions for ratification of appointment of Auditors are included in the Notice for this

AGM. Your Directors commend the Resolutions for your approval.

Consent of the Auditors and certificate u/s 139 of the Act have been obtained from each of the Auditors to the effect that their appointment/ratification, if made, shall be in accordance with the applicable provisions of the Act and the Rules issued thereunder. As required under the SEBI (LODR), B S R & Co. LLP and S R B C & Co. LLP have confirmed that they hold a valid certificate issued by the Peer Review Board of ICAI.

Pursuant to the provisions of Section 139(1) of the Act, as amended with effect 7th May 2018, ratification of the appointment of the Statutory Auditors, by the Members at every AGM during the period of their appointment, has been omitted with effect from that date. In view thereof read with the provisions of Section 142 of the Act, consent of the members is sought to partially modify the resolutions passed at the aforesaid AGMs and authorise the Board to ratify the appointments and fix their remuneration for each of the Statutory Auditors respective remaining terms. Your Directors commend the Resolutions for your approval.

The observations made by the Statutory Auditors on the Financial Statements of the Company, in their Report for the financial year ended 31st March 2018, read with the explanatory notes therein, are self-explanatory and, therefore, do not call for any further explanation or comments from the Board under Section 134(3)(f) of the Act. The Auditors' Report does not contain any qualification, reservation, disclaimer or adverse remark.

COST AUDITORS

Pursuant to the provisions of Section 148 of the Act, read with the Companies (Cost Records and Audit) Rules, 2014, as amended, Notifications/Circulars issued by the Ministry of Corporate Affairs from time to time, your Board has, on the recommendation of the Audit Committee, re-appointed M/s. D. C. Dave & Co., Cost Accountants, Mumbai, as the Cost Auditors to conduct the audit of the cost records of all the Units of the Company, except VFY-Century Rayon Unit, for the financial year 2018-19 at a remuneration not exceeding ₹ 1,500,000/- (Rupees Fifteen Lakh Only), plus applicable taxes and reimbursement of actual out-of-pocket expenses in connection with the audit. On the recommendations of the Audit Committee, your Directors have appointed M/s. M. R. Dudani & Co. as Cost Auditors

to conduct cost audit at VFY-Century Rayon Unit for the financial year 2018-19 at a remuneration of ₹ 2.20 Lakh (Rupees Two Lakh Twenty Thousand only) plus applicable taxes and reimbursement of actual out-of-pocket expenses in connection with the audit.

The Company has received consent from M/s. D. C. Dave & Co. and M/s. M. R. Dudani & Co., Cost Accountants, to act as the Cost Auditors of the Company for the financial year 2018-19 along with separate certificates confirming each of their independence.

SECRETARIAL AUDITORS

Pursuant to the provisions of Section 204 of the Act, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board has re-appointed M/s. BNP & Associates, Company Secretaries, Mumbai, to conduct the secretarial audit for the financial year 2018-19. The Secretarial Audit Report, issued by M/s. BNP & Associates, Company Secretaries, for the financial year 2017-18, forms part of this Annual Report and is set out in **Annexure 'E'** to this Report. The Secretarial Audit Report does not contain any qualification, reservation, disclaimer or adverse remark.

DISCLOSURES

Contracts and Arrangements with Related Parties

During the financial year 2017-18, all contracts/arrangements/transactions entered into by the Company with Related Parties were on arm's length basis and in the ordinary course of business. There are no material transactions with any Related Party as defined under Section 188 of the Act, read with the Companies (Meetings of Board and its Powers) Rules, 2014. All Related Party transactions have been approved by the Audit Committee of the Company. Omnibus approvals are taken for transactions, which are repetitive nature. The Company has implemented Related Party transaction manual and Standard Operating Procedures for the purpose of identification and monitoring of such transactions.

The details of contracts and arrangements with Related Parties of the Company for the financial year ended 31st March 2018, are given in Notes to the Standalone Financial Statements, forming part of the Annual Report.

The Policy on Related Party Transactions, as approved by the Board, is available on the Company's website, www.grasim.com.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

The Company has established a robust Vigil Mechanism for reporting of concerns through the Whistle Blower Policy of the Company, which is in compliance of the provisions of

Section 177 of the Act, read with Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014, and SEBI (LODR). The Policy provides for framework and process whereby concerns can be raised by its employees against any kind of discrimination, harassment, victimisation or

any other unfair practice being adopted against them. Adequate safeguards are provided against victimisation to those who avail of the mechanism, and access to the Chairman of the Audit Committee in exceptional cases is provided to them. The details of the Vigil Mechanism are also provided in the Corporate Governance Report and the Whistle Blower Policy has been uploaded on the website of the Company, www.grasim.com.

CORPORATE SOCIAL RESPONSIBILITY

In terms of the provisions of Section 135 of the Act, read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Board of Directors of the Company has a Corporate Social Responsibility (CSR) Committee, which is chaired by Mrs. Rajashree Birla. The other Members of the Committee are Mr. B. V. Bhargava, Mr. Shailendra K. Jain and Mr. Dilip Gaur. Dr. Pragnya Ram, Group Executive President, Corporate Communication and CSR, is a permanent invitee to the Committee. The Corporate Social Responsibility Policy (CSR Policy), indicating the activities to be undertaken by the Company, is available on the Company's website, www.grasim.com.

The Company is a caring corporate citizen and lays significant emphasis on development of the host communities around which it operates. The Company, with this intent, has identified several projects relating to Social Empowerment and Welfare, Infrastructure Developments, Sustainable Livelihood, Health Care and Education, during the year, and initiated various activities in neighbouring villages around its plant locations. The Annual Report on CSR activities is given in **Annexure 'F'** to this Report.

RISK MANAGEMENT

Pursuant to the requirement of SEBI (LODR), the Company has constituted Risk Management Committee, which is mandated to review the risk management plan/ process of the Company. Risk evaluation and management is an ongoing process within the Organisation. The Company's Risk Management Committee periodically assesses risk in the internal and external environment and incorporates Risk Mitigation Plans in its strategy, business and operation plans. The Company has comprehensive risk management policy, which is periodically reviewed by the Risk Management Committee.

BUSINESS RESPONSIBILITY REPORT

As per SEBI (LODR), a separate section of Business Responsibility Report forms part of this Report.

ANNUAL RETURN

The Copy of Annual Return is available on the Company's website, www.grasim.com.

INTERNAL FINANCIAL CONTROLS

The Company has in place adequate internal financial control system commensurate with the size of its operations. Internal control systems, comprising of policies and procedures, are designed to ensure sound management of the Company's operations, safe keeping of its assets, optimal utilisation of resources, reliability of its financial information and compliance. Systems and procedures are periodically reviewed to keep pace with the growing size and complexity of the Company's operations. During the year under review, no material or serious observation has been received from the Auditors of the Company citing inefficiency or inadequacy of such controls.

REMUNERATION POLICY

The Remuneration Policy of your Company, as formulated by the Nomination and Remuneration Committee of the Board of Directors, is given in Annexure 'G' to this Report.

COMMITTEES OF THE BOARD AUDIT COMMITTEE

During the year under review, the Audit Committee was reconstituted and comprises of Mr. Arun Thiagarajan, Mr. B.V. Bhargava, Mr. M.L. Apte and Mr. Dilip Gaur. The Committee comprises of majority of Independent Directors with Mr. Arun Thiagarajan being the Chairman. Mr. Sushil Agarwal Whole-Time Director & CFO is the permanent invitee.

Further details relating to the Audit Committee are provided in the Corporate Governance Report forming part of this Annual Report.

All the recommendations made by the Audit Committee, during the year, were accepted by the Board of Directors of the Company.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises of Mr. M. L. Apte, Mr. Cyril Shroff and Mr. Kumar Mangalam Birla as its members. Further details relating to the Nomination and Remuneration Committee are provided in the Corporate Governance Report, forming part of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee comprises of Mrs. Rajashree Birla, Mr. B. V. Bhargava, Mr. Shailendra K. Jain and Mr. Dilip Gaur as its members. Further details

relating to the Corporate Social Responsibility Committee are provided in the Corporate Governance Report forming part of this Annual Report.

STAKEHOLDERS' RELATIONSHIP COMMITTEE

The Stakeholders' Relationship Committee comprises of Mr. B. V. Bhargava, Mr. M. L. Apte, Mr. Cyril Shroff and Mr. Sushil Agarwal as its members. Further details of the Stakeholders' Relationship Committee are provided in the Corporate Governance Report forming part of this Annual Report.

RESEARCH AND DEVELOPMENT (R&D)

The R&D investment continues to be focused on enhancing our relative market position in an increasingly competitive environment. Focused programmes are driving innovations in the critical areas of product quality, cost reduction, new product offerings and environmental sustainability. Our portfolio of programmes addresses near-term needs through the implementation of recently developed technologies while filling the pipeline with future opportunities to achieve our long-term goals.

Pulp and Fibre Business

Pulp R&D continues to focus on expanding our specialty pulp opportunities at the Domsjo Unit as well as generally improving the quality and consistency of supply to our Viscose Staple Fibre (VSF) manufacturing sites. Tailored products have been developed providing expanded sales into filament yarn production, and new applications in novel new casing products and cellulose acetate end-uses are being adopted. Advances in pulp quality and consistency for the internal VSF customers are leading to significant reductions in contaminate levels like dirt and resins. Model-based predictive controls are leading to reduced viscosity and lignin content variations in the process. On-line pulp viscosity measurement and control technologies are being explored to further improve the consistency of this critical parameter. Implementation of new operating conditions, such as those associated with alkali extraction, have enabled the reduced consumption of key raw materials at the Domsjo plant. Ongoing collaborations with external laboratories are focused on developing new sustainable technologies and recycling opportunities. Our digitisation initiative continues to seamlessly connect the pulp plant processes to the consuming fibre plants. Access to production data for pulp is being utilised at the fibre plants allowing the optimisation of blending leading to viscose consistency improvements. Model-based predictive control systems are being designed to further extract value from this approach.

Fibre-oriented R&D is focused on continuously improving production efficiency and enhancing our customers'

experience. We have expanded implementation of demonstrated technologies, which reduce in-process material consumption and increase line productivities. Work continues to extend the gains through further process innovations. Our marketplace-targeted differentiated offerings agenda has resulted in new insights and innovations for improved products in our non-wovens and dope-dyed fibre segments. The resulting product and process upgrades are being well recognised as providing improved customer performance and value. Our value-added product programme pipeline continues to provide ongoing new opportunities at different stages of development. A recently commercialised example is our branded offering, Liva Sno. This product not only simplifies the downstream processing, but also contributes to processors' environment-friendly efforts by reducing water consumption and the generation of waste effluent. We are planning the continued launch of new products in our pipeline in the coming years. The fibre-focused quality improvement work over the last five years has been aimed at bringing our production lines to global benchmark quality levels and achieving product leadership. Application of metrics like first pass yield (FPY) and Uptime, and systematic Six-Sigma process projects to improve line performance levels have contributed significantly toward achieving our objectives. The process capability analyses of production lines have been broadly completed, and approximately three quarters of production capacity has been upgraded and certified as achieving benchmark levels. Projects are ongoing to improve our remaining assets. A comprehensive fibre quality gradation system has been developed to more fully specify the product attributes required to fulfil our customers' expectations for quality and processing performance. This system is being used to guide our improvement projects aimed at ongoing product trade leadership.

Our business development process includes the promotion of our cellulose-based comfort fibres throughout the entire value chain from yarn producers through retail. The Textile Research and Applications Development Centre (TRADC) plays a critical role in this process through the development of unique fabric designs, continual renewal of our fabric resource library, creation of seasonal design collections and launch support for new product offerings. Unique fabric design bases were developed to promote our fibres in textile hubs across India for knitted fabrics in tops, intimate apparel, legwear and sweaters, and woven designs for shirts, suits, jackets and women's wear. Additionally, more than 150 fabric styles from over 50-base designs were created to showcase our products in home textile applications in India and internationally. TRADC also contributed technical input to the "Sleep

Soft" marketing catalogue showcased in the USA, during Home Textile Week. These efforts are key to new adoptions like our polyester/Modal blend for bed linens currently in commercial production. Earlier this year, the Digital LIVA Fabric Library was launched providing online product information, vendor contacts and detailed input on products and fabrics developed by TRADC over many years. This provides a valuable resource for customers to access when developing their future offerings with our products. Also, by analysing the inquiries, we can better anticipate market trends and new opportunities to fulfil our customers' needs. LIVA Season Collections have been developed for the Spring/Summer and Autumn/Winter periods and a dozen story lines were prepared, which describe the values of these innovative concepts. These collections and associated information are a critical part of promoting the LIVA brand with our partners.

Significant strides were made in our in-house technology advancement for the Excel® project. Selective upgrades to one Excel® line at Nagda, based on our new technology, has enabled the achievement of near benchmark product quality and improved realisation. Data generation and improved understanding of solvent recovery has led to the prototype demonstration of a new resin chemistry, improving our solvent quality.

Enabling Capabilities

Our R&D facilities are geared to support the innovation needs of the Pulp and Fibre Business. The sequence of development is initiated in laboratory facilities for small scale preparation experiments and analysis equipment. Successful concepts are taken through the scale-up facilities for spinning dope making and fibre spinning, and ultimately through the downstream facilities of yarn, fabric and garment making.

This complete process and product development capability put in place over the years now supports the creation and execution of our process development and new product pipelines, which are creating significant value for the business. Once a technology is proven, the solid process and product data are available to support robust commercialisation on large lines in partnership with the Operations and Marketing teams.

Chemical Business

The Company's Chemical business focus has been to develop various product variants as to meet different customer segments, improving and optimising key operating processes and practices, enhance equipment reliability and asset integrity, and significantly upgrade the health, safety and environment systems and processes.

- Products: Differentiation in Products by making product variants in flakes, stable bleaching powder, Chlorinated paraffin's, poly aluminium chloride, hydrochloric acid and food grade phosphoric acid product as to meet the specific customer segments.
- Processes: Process improvements and optimization of Key and critical process operations such removal trace impurities in salt, chlorine and hydrogen streams of the manufacturing cycle.
- Health, Safety and Environment Monitoring, and controlling equipment's such to minimise process and stack emissions, reduction of solid wastes, and Zero liquid discharge approach with a view to progress towards efficiencies beyond legal compliances.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY, WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THE FINANCIAL STATEMENT RELATES AND THE DATE OF THE REPORT

Except as disclosed elsewhere in this Report, no material changes and commitments, which could affect the Company's financial position, have occurred between the end of the financial year of the Company and the date of this Report.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 197(12) of the Act, read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names and other particulars of employees drawing remuneration in excess of the limits, set off in the aforesaid Rules, are to be set out in the Board's Report, as an annexure thereto. In line with the provisions of Section 136(1) of the Act, the Report and Accounts, as set out therein, are being sent to all Members of the Company,

excluding the aforesaid information about the employees. Any Member, who is interested in obtaining these particulars about employees, may write to the Company Secretary at the Registered Office of the Company. The aforesaid addendum is also available for inspection by the members at the Registered Office of the Company 21 days before the AGM and up to the date of the ensuing AGM, during business hours on working days.

Disclosures pertaining to remuneration and other details, as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of

Managerial Personnel) Rules, 2014, are given in Annexure 'H' to this Report.

EMPLOYEE STOCK OPTION SCHEMES (ESOS)

The Company has Employee Stock Option Scheme-2006 (ESOS-2006) and Employee Stock Option Scheme-2013 (ESOS-2013), which provides for grant of Stock Options and/or Restricted Stock Units (RSUs) to the eligible employees of the Company.

The details of Employee Stock Options granted pursuant to ESOS-2006 and the Employee Stock Options and RSUs granted pursuant to ESOS-2013, as also the other disclosures in compliance with the provisions of the Securities and Exchange Board of India (Employee Share Based Employee Benefits) Regulations, 2014, are available on the Company's website, www.grasim.com.

A certificate from the Statutory Auditors, with respective implementation of the Company's Employees Stock Option Schemes will be placed at the ensuing AGM for inspection by the Members, and a copy will also be available for inspection at the Registered Office of the Company.

The Company intends to reward, attract, motivate and retain employees and directors of the Company, its holding and subsidiary companies for their high level of individual performance, by offering them equity shares by way of an Employee Stock Options Scheme.

Towards this, the Company has sought approval of the members to approve and adopt the 'Grasim Industries Ltd. Employee Stock Option Scheme 2018' (hereinafter referred to as the "Scheme 2018"). The Company intends to offer not more than 3,515,528 Equity Shares of ₹ 2/- each (which represents 0.53% of the paid-up equity capital as on 31st March 2018) in one or more tranches, in accordance with the Scheme 2018, the provisions of the law or regulations issued by the relevant authority, as may be prevailing at that time.

The Scheme 2018 shall be implemented through the ESOS Trust since it is proposed that the equity shares of the Company would be acquired by the ESOS Trust from the secondary market. The Company proposes to extend financial assistance to the ESOS Trust for this purpose, subject to the overall limits specified under the applicable laws.

The broad framework of the Scheme 2018 is detailed in the Notice of the AGM. Your Directors commend the resolutions for approving the grant in terms of the Scheme and the implementation of the Scheme through the Trust.

HUMAN RESOURCES

The Company's human resources is the strong foundation for creating many possibilities for its business. During the year, the Company added greater employee talent through seamless integration of acquired assets. The efficient operations of manufacturing units and market development and expansion for various products was the highlight of our people effort.

Continuous people development for developing knowledge and skills coupled with the Talent Management practices will deliver the talent needs of the Organisation. The Company's employee engagement score reflects high engagement and pride in being part of the Organisation.

The Group's Corporate Human Resources plays a critical role in the Company's talent management process.

AWARDS AND ACCOLADES

Some of the significant accolades earned by the Company during the year include:

- Platinum Award in "2nd Annual EKDKN EMINENT Award 2017" under CSR Category in Chemical & Fertilizer Sector (Ek Din Desh Ke Naam)
- Dun & Bradstreet Corporate Award 2018 as the Top Company for its stellar performance in the textiles sector. Grasim was honored for being "Champion of Change" in the transformation of the country.
- Ranked # 205 in the list of "Global 2000 – Growth Champions 2018" by Forbes Magazine, USA
- Award for Best Export Performance in the Category of Viscose Staple Fibre (Gold Trophy). 2018 - SRTEPC
- India Sustainable Leadership Award from World Sustainability, a Not-For-Profit Organization advocating for Sustainable Leadership
- Liva - Most admired fashion innovation of the year by India Fashion Forum
- NCQC (National Convention on Quality Concepts) 2017, Mysuru – "PAR EXCELLENCE" Award - Insulators (Rishra)
- IMC Ramkrishna Bajaj National Quality Award 2017 Performance Excellence in Manufacturing Category - Chemicals

- Golden Peacock Award - 2018 - Business Excellence (Indian Rayon)

GENERAL

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise;
2. Issue of shares (including sweat equity shares) to employees of the Company under any Scheme save and except ESOS referred to in this Report;
3. There were no revisions in the financial statements;
4. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in the future;
5. The Company has made and maintained cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 for the Financial Year 2017-18; and
6. The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace

(Prevention, Prohibition and Redressal) Act, 2013. No cases or complaints were filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

ACKNOWLEDGEMENTS

Your Directors express their deep sense of gratitude to the banks, financial institutions, stakeholders, business associates, Central and State Governments for their co-operation and support and look forward to their continued support in future.

We very warmly thank all of our employees for their contribution to the Company's performance. We applaud them for their superior levels of competence, dedication and commitment to the Company.

For and on behalf of the Board



Kumar Mangalam Birla
Chairman
(DIN: 00012813)

Mumbai, 14th August 2018