



GRASIM INDUSTRIES LIMITED

Disclosure pursuant to Regulation 14 of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 as on March 31, 2015

The Company has formulated an Employee Stock Option Scheme known as 'Grasim Industries Limited Employee Stock Option Scheme-2006' ("**ESOS-2006**"), in accordance with the provisions of the then prevailing Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("**SEBI Guidelines**"), pursuant to the authority vested in it by the Members of the Company vide a resolution passed by postal ballot, the results of which were announced on 20th January 2007. The ESOS Compensation Committee (since merged with the Nomination and Remuneration Committee) of the Board of Directors of the Company has, vide its resolutions dated 23rd August 2007, 25th January 2008, 30th August 2010, 2nd June 2011 and 18th October 2013, granted Employee Stock Option(s) ("**Options**") to certain eligible employees of the Company under ESOS-2006.

The Company has also formulated an Employee Stock Option Scheme known as Grasim Industries Limited Employee Stock Option Scheme 2013 ("**ESOS-2013**"), in accordance with the provisions of the then prevailing SEBI Guidelines, pursuant to the authority vested in it by the Members of the Company vide the resolution(s) passed at the Annual General Meeting held on 17th August 2013. The ESOS Compensation Committee (since merged with the Nomination and Remuneration Committee) of the Board of Directors of the Company has, vide its resolutions dated 18th October 2013, 21st November 2013 and 29th January 2014, granted Employee Stock Option(s) ("**Options**") and/or Restricted Stock Unit(s) ("**RSUs**") to certain eligible employees of the Company and its subsidiaries under ESOS-2013.

The Securities and Exchange Board of India has since repealed the SEBI Guidelines and notified the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("**SEBI Regulations**"). The Companies Act, 2013 has also been enacted since and the provisions of the Companies (Share Capital and Debentures) Rules, 2014 (collectively, "**the Act**") are applicable to ESOS-2006 and ESOS-2013 (SEBI Guidelines, SEBI Regulations and the Act are hereinafter collectively referred to as the "**Applicable provisions**").

Accordingly, the disclosures pertaining to the Options and RSUs granted as aforesaid and as required under the applicable provisions, are provided herein below :-



A. Disclosures in terms of the 'Guidance note on accounting for employee share-based payments' issued by Institute of Chartered Accountants of India (“ICAI”) or any other relevant accounting standards as prescribed from time to time.

The disclosures are provided in Note 2.1.8 of the Notes forming part of the Financial Statements of the Company for the year ended 31st March 2015.

B. Diluted EPS on issue of shares pursuant to all the schemes covered under the regulations, in accordance with ‘Accounting Standard 20 – Earnings per Share’ issued by ICAI or any other relevant accounting standards as prescribed from time to time.

₹ 57.63

C. Details related to Employee Stock Option Schemes (ESOS) of the Company:

(I) Employee Stock Option Scheme-2006 (ESOS-2006)

Sr. No.	Particulars	Details of Employee Stock Options as on 31 st March, 2015				
		Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
i)	A description of each ESOS that existed at any time during the year, including the general terms and conditions of each ESOS, including-					
a)	Date of Shareholders' approval	20 th January 2007				
b)	Total number of options approved	2,75,000 Options				
c)	Vesting requirements	Not earlier than one year and not later than five years from the date of Grant of Options				



Sr. No.	Particulars	Details of Employee Stock Options as on 31 st March, 2015				
		Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
d)	Exercise price or pricing formula	Exercise price was determined by averaging the daily closing price of the Company's equity shares during the 7 days immediately preceding the date of grant and discounting it by 30%.	Exercise price was determined by averaging the daily closing price of the Company's equity shares during the 7 days immediately preceding the date of grant and discounting it by 5%.	Exercise price was determined by averaging the daily closing price of the Company's equity shares during the 7 days immediately preceding the date of grant and discounting it by 30%.	Exercise price was determined by averaging the daily closing price of the Company's equity shares during the 7 days immediately preceding the date of grant and discounting it by 30%.	Exercise price was determined by averaging the daily closing price of the Company's equity shares during the 7 days immediately preceding the date of grant.
		Exercise Price: ₹1,928	Exercise Price: ₹2,885	Exercise Price: ₹1,440	Exercise Price: ₹1,594	Exercise Price: ₹2,728
e)	Maximum term of options granted	Five years from the date of Vesting of Options				
f)	Source of shares (primary, secondary or combination)	Primary				



Sr. No.	Particulars	Details of Employee Stock Options as on 31 st March, 2015				
		Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
g)	Variation in terms of options	Pursuant to the Scheme of Arrangement for demerger of Cement Business of the Company to Samruddhi Cement Limited ("Samruddhi") (a subsidiary of the Company, which has since been merged with UltraTech Cement Limited (another subsidiary of the Company)), the Exercise Price of Options issued under Tranche 1 and Tranche 2 was divided between the Options issued by the Company and the Options issued by Samruddhi under its Compensatory Stock Option Scheme. Accordingly, the Exercise Price of Options issued by the Company stands revised as under:		None	None	None
		₹ 1,523/-	₹ 2,279/-			
ii)	Method used to account for ESOS-Intrinsic or fair value					
	The Company has calculated the employee compensation cost using the intrinsic value method of accounting to account for the Options granted under ESOS-2006.					
iii)	Where the company opts for expensing of the options using the intrinsic value of the options					
	- the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options: Please see Note at the end of this statement					
	- the impact of this difference on Net profit and on EPS: Please see Note at the end of this statement					



Sr. No.	Particulars	Details of Employee Stock Options as on 31 st March, 2015				
		Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
iv)	Option movement during the year (For each ESOS)					
	Particulars					Details
	Number of options outstanding at the beginning of the period					1,12,133
	Number of options granted during the year					--
	Number of options forfeited / lapsed during the year					1,813
	Number of options vested during the year					20,060
	Number of options exercised during the year					25,214
	Number of shares arising as a result of exercise of options					25,214
	Money realized by exercise of options (INR), if scheme is implemented directly by the company					₹ 4,07,72,625
	Loan repaid by the Trust during the year from exercise price received					NA
	Number of options outstanding at the end of the year					85,106
	Number of options exercisable at the end of the year					77,008



Sr. No.	Particulars	Details of Employee Stock Options as on 31 st March, 2015				
		Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
v)	Weighted-average exercise prices and weighted-average fair values of options					
	a) Weighted-average exercise prices and weighted-average fair values of options whose exercise price equals the market price of the stock	NA	NA	NA	NA	NA
	b) Weighted-average exercise prices and weighted-average fair values of options whose exercise price is less than the market price of the stock	Revised Weighted average exercise price: ₹1,523.00 Revised Weighted average fair value: ₹1,038.81	Revised Weighted average exercise price: ₹2,279.00 Revised Weighted average fair value: ₹872.13	Weighted average exercise price: ₹1,440.00 Weighted average fair value: ₹1,130.00	Weighted average exercise Price: ₹1,594.00 Weighted average fair value: ₹ 1,259.39	NA
	c) Weighted-average exercise prices and weighted-average fair values of options whose exercise price exceeds the market price of the stock	NA	NA	NA	NA	Weighted average exercise Price : ₹ 2,728.00 Weighted average fair value : ₹ 986.58



Sr. No.	Particulars	Details of Employee Stock Options as on 31 st March, 2015				
		Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
vi)	Employee wise details (name of employee, designation, number of options granted during the year, exercise price) of options granted to					
	a) Senior Managerial personnel	No Options were granted during the year				
	b) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	No Options were granted during the year				
	c) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	No Options were granted during the year				



Sr. No.	Particulars	Details of Employee Stock Options as on 31 st March, 2015				
		Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
vii)	A description of the method and significant assumptions used during the year to estimate the fair value of options including the following information					
	Valuation is not an exact science and estimating values necessarily involves selecting a method or approach that is suitable for the purpose. As per Schedule III to the SEBI Guidelines and applicable provisions, the fair value of the stock options has to be estimated using an option-pricing model that takes into account as of the grant date, the exercise price and expected life of the option, the current price in the market of the underlying stock and its expected volatility, expected dividends on the stock, and the risk-free interest rate for the expected term of the option.					
	Black-Scholes model (accessed from website http://en.wikipedia.org/wiki/Black-Scholes_model) ("the model", which has been referred to in the aforesaid Schedule III also) is one such option-pricing model widely used for the valuation of options and has been adopted for the present exercise. The model considers as on the date of the grant, the parameters such as strike/exercise price, risk free rate of return, expected life of the option and implied volatility of the underlying stock as indicated in Schedule III to the SEBI Guidelines.					
	Guidance has also been taken from the Guidance Note issued by ICAI.					
a)	Weighted-average values of share price	₹ 1,038.81 (revised)	₹ 872.13 (revised)	₹ 1,130.00	₹ 1,259.39	₹ 986.58
	Exercise price	₹ 1,523.00	₹ 2,279.00	₹ 1,440.00	₹ 1,594.00	₹ 2,728.00
	Expected volatility	33.00%	36.00%	45.64%	31.73%	24.01%
	Expected option life	5 years	5 years	5 years	5 years	5 years
	Expected dividends	1.84%	1.80%	1.58%	0.61%	1.03%
	Risk-free interest rate	7.78%	7.78%	7.78%	8.09%	8.58%
	Any other inputs to the model	N.A.	N.A.	N.A.	N.A.	N.A.



Sr. No.	Particulars	Details of Employee Stock Options as on 31 st March, 2015				
		Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
b)	Method used and assumptions made to incorporate the effects of expected early exercise	Black-Scholes method				
c)	How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility	Following factors have been considered:- i. The closing price of the Company's share on National Stock Exchange of India Limited (NSE) on the date previous to the grant date. ii. Adjustment of the aforesaid closing price for the expected dividend yield over the expected life of the Options. iii. Yield of Subsidiary General Ledger ("SGL") transactions in government dated securities for various maturities representing the risk-free interest rate. iv. The expected life of the Options, i.e., the period upto the vesting date plus the average of the exercise period corresponding to each vesting. v. Implied volatility of the Company's stock price on NSE based on the price data of last three years upto the date of grant. vi. Exercise price for each Tranche.				
d)	Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition					



(II) Employee Stock Option Scheme-2013 (ESOS-2013)

Sr. No.	Particulars	Details of Employee Stock Options and Restricted Stock Units as on 31 st March, 2015				
		Options		Restricted Stock Units (RSUs)		
		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3
i)	A description of each ESOS that existed at any time during the year, including the general terms and conditions of each ESOS, including-					
a)	Date of Shareholders' approval	17 th August 2013				
b)	Total number of Options/RSUs approved under ESOS-2006	2,30,000 (comprising of Options and/or RSUs)				
c)	Vesting requirements	Not earlier than one year from the date of Grant and not later than such Vesting Period as set forth in ESOS-2013				
d)	Exercise price or pricing formula	Exercise price was determined on the basis of the closing price of the Company's equity shares on the day immediately preceding the date of grant		At par (face value)		
		Exercise Price: ₹2,714	Exercise Price: ₹2,593	Exercise Price: ₹10	Exercise Price: ₹10	Exercise Price: ₹10
e)	Maximum term of Options/RSUs granted	Five years from the date of Vesting of Options / RSUs				
f)	Source of shares (primary, secondary or combination)	Primary				
g)	Variation in terms of Options/RSUs	None	None	None	None	None



Sr. No.	Particulars	Details of Employee Stock Options and Restricted Stock Units as on 31 st March, 2015				
		Options		Restricted Stock Units (RSUs)		
		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3
ii)	Method used to account for ESOS-Intrinsic or fair value					
	The Company has calculated the employee compensation cost using the intrinsic value method of accounting to account for the Options and RSUs granted under ESOS-2013.					
iii)	Where the company opts for expensing of the options using the intrinsic value of the options					
	- the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options: Please see Note at the end of this statement					
	- the impact of this difference on Net profit and on EPS: Please see Note at the end of this statement					



Sr. No.	Particulars	Details of Employee Stock Options and Restricted Stock Units as on 31 st March, 2015				
		Options		Restricted Stock Units (RSUs)		
		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3
iv)	Option / RSU movement during the year (For each ESOS)					
	Particulars	Details				
				Options	RSUs	
	Number of Options / RSUs outstanding at the beginning of the period			1,37,384	32,985	
	Number of Options / RSUs granted during the year			--	--	
	Number of Options / RSUs forfeited / lapsed during the year			2,143	1,157	
	Number of Options / RSUs vested during the year			33,809	--	
	Number of Options / RSUs exercised during the year			--	--	
	Number of shares arising as a result of exercise of Options / RSUs			--	--	
	Money realized by exercise of Options / RSUs (INR), if scheme is implemented directly by the company			--	--	
	Loan repaid by the Trust during the year from exercise price received			NA	NA	
	Number of Options / RSUs outstanding at the end of the year			1,35,241	31,828	
	Number of Options / RSUs exercisable at the end of the year			33,809	--	
v)	Weighted-average exercise prices and weighted-average fair values of Options / RSUs					
	a) Weighted-average exercise prices and weighted-average fair values of Options/ RSUs whose exercise price equals the market price of the stock	Weighted average exercise price: ₹ 2,714.00 Weighted average fair value: ₹ 992.75	Weighted average exercise price: ₹ 2,593.00 Weighted average fair value: ₹ 952.52	NA	NA	



Sr. No.	Particulars	Details of Employee Stock Options and Restricted Stock Units as on 31 st March, 2015				
		Options		Restricted Stock Units (RSUs)		
		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3
	b) Weighted-average exercise prices and weighted-average fair values of Options/RSUs whose exercise price is less than the market price of the stock	NA	NA	Weighted average exercise price: ₹ 10.00 Weighted average fair value: ₹ 2,598.59	Weighted average exercise price: ₹ 10.00 Weighted average fair value: ₹ 2,492.40	Weighted average exercise price: ₹ 10.00 Weighted average fair value: ₹ 2,475.81
	c) Weighted-average exercise prices and weighted-average fair values of Options/RSUs whose exercise price exceeds the market price of the stock	NA	NA	NA	NA	NA



Sr. No.	Particulars	Details of Employee Stock Options and Restricted Stock Units as on 31 st March, 2015				
		Options		Restricted Stock Units (RSUs)		
		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3
vi)	Employee wise details (name of employee, designation, number of Options/RSUs granted during the year, exercise price) of Options/RSUs granted to					
	a) Senior Managerial personnel	No Options were granted during the year		No RSUs were granted during the year		
	b) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	No Options were granted during the year		No RSUs were granted during the year		



Sr. No.	Particulars	Details of Employee Stock Options and Restricted Stock Units as on 31 st March, 2015				
		Options		Restricted Stock Units (RSUs)		
		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3
	c) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	No Options were granted during the year		No RSUs were granted during the year		
vii)	A description of the method and significant assumptions used during the year to estimate the fair value of Options/RSUs including the following information					
	<p>Valuation is not an exact science and estimating values necessarily involves selecting a method or approach that is suitable for the purpose. As per Schedule III to the SEBI Guidelines and applicable provisions, the fair value of the stock options has to be estimated using an option-pricing model that takes into account as of the grant date, the exercise price and expected life of the option, the current price in the market of the underlying stock and its expected volatility, expected dividends on the stock, and the risk-free interest rate for the expected term of the option.</p> <p>Black-Scholes model (accessed from website http://en.wikipedia.org/wiki/Black-Scholes_model) ("the model", which has been referred to in the aforesaid Schedule III also) is one such option-pricing model widely used for the valuation of options and has been adopted for the present exercise. The model considers as on the date of the grant, the parameters such as strike/exercise price, risk free rate of return, expected life of the option and implied volatility of the underlying stock as indicated in Schedule III to the SEBI Guidelines.</p> <p>Guidance has also been taken from the Guidance Note issued by ICAI.</p>					



Sr. No.	Particulars	Details of Employee Stock Options and Restricted Stock Units as on 31 st March, 2015				
		Options		Restricted Stock Units (RSUs)		
		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3
a)	Weighted-average values of share price	₹ 992.75	₹ 952.52	₹ 2,598.59	₹ 2,492.40	₹ 2,475.81
	Exercise price	₹ 2,714.00	₹ 2,593.00	₹ 10.00	₹ 10.00	₹ 10.00
	Expected volatility	24.01%	23.47%	24.01%	23.76%	23.47%
	Expected Option/RSU life	5 years	5 years	5.5 years	5.5 years	5.5 years
	Expected dividends	1.03%	1.10%	1.34%	1.40%	1.43%
	Risk-free interest rate	8.58%	8.87%	8.66%	8.90%	9.00%
	Any other inputs to the model	N.A.	N.A.	N.A.	N.A.	N.A.
b)	Method used and assumptions made to incorporate the effects of expected early exercise	Black-Scholes method				



Sr. No.	Particulars	Details of Employee Stock Options and Restricted Stock Units as on 31 st March, 2015				
		Options		Restricted Stock Units (RSUs)		
		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3
c)	How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility	Following factors have been considered:- i. The closing price of the Company's share on National Stock Exchange of India Limited (NSE) on the date previous to the grant date. ii. Adjustment of the aforesaid closing price for the expected dividend yield over the expected life of the Options/RSUs. iii. Yield of Subsidiary General Ledger ("SGL") transactions in government dated securities for various maturities representing the risk-free interest rate. iv. The expected life of the Options/RSUs, i.e., the period upto the vesting date plus the average of the exercise period corresponding to each vesting. v. Implied volatility of the Company's stock price on NSE based on the price data of last three years upto the date of grant. vi. Exercise price for each Tranche.				
d)	Whether and how any other features of the option/RSU grant were incorporated into the measurement of fair value, such as a market condition					



Note

Common for both ESOS-2006 and ESOS-2013

iii) Where the company opts for expensing of the options using the intrinsic value of the options		
- the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options		
<u>Employee compensation cost:</u>		
		<u>₹ Crore</u>
Based on Intrinsic Value		2.75
Based on Fair Value		7.92
Difference		<u>5.17</u>
- the impact of this difference:		
	<u>Reported</u>	<u>Adjusted</u>
on Net profit	₹ 529.90 Crore	₹ 524.73 Crore
<u>on EPS</u>		
Basic	₹ 57.69	₹ 57.13
Diluted	₹ 57.63	₹ 57.06

GRASIM INDUSTRIES LIMITED

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