



EMPLOYEES STOCK GRANT SCHEME, 2011

Regd. Office: Pirojshanagar, Eastern Express Highway, Vikhroli, Mumbai - 400 079

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Part A: Statement of Risks

All investments in shares are subject to risk as the value of shares may go down or up. In addition, the employee stock grants are subject to the following risks:

1. Concentration:

The risk arising out of any fall in value of shares is aggravated as the Eligible Employee's holding is concentrated in the shares of a single company;

2. Illiquidity:

The Stock Grants cannot be transferred to anybody, and therefore the Eligible Employees cannot mitigate their risks by selling the whole or part of their Stock Grants before they are exercised. The shares, pursuant to the Stock Grants awarded, vest in the Eligible Employees over a period of one to three years, thus, to that extent, the liquidity in the hands of Eligible Employees is restricted

3. Vesting:

The Stock Grants will lapse if the employment is terminated prior to vesting. Even after the shares pursuant to Stock Grants are vested, the unexercised Stock Grants may be forfeited if the employment is terminated for gross misconduct;

4. Value loss:

The price of the underlying shares of the company which would be vested in the Eligible Employees pursuant to the Stock Grants awarded may be reduced by the time they actually vest in the Eligible Employees, thus, resulting in a loss of value to the Eligible Employees.

Part B: Information about the Company

1. Business of the Company:

Background and main objects and present business of the Company.

History:

- Godrej Industries Limited was incorporated on March 7, 1988 as Gujarat-Godrej Innovative Chemicals Limited (GGICL). Godrej Industries Limited is in the business of manufacture and marketing of oleo-chemicals, their precursors and derivatives, bulk edible oils, estate management, and investment activities.
- The erstwhile Godrej Soaps Limited was merged into GGICL with effect from April 1, 1994 and the name of GGICL was changed to Godrej Soaps Limited (GSL). The Registered office was shifted from Gujarat to Maharashtra with effect from March 1, 1996.
- Subsequently, under a scheme of arrangement, the consumer products division of GSL was demerged with effect from April 1, 2001 into a separate company, Godrej Consumer Products Limited (GCPL) and GSL was renamed Godrej Industries Limited on April 2, 2001.
- The registered office of Godrej Consumer Products Limited is at Pirojshanagar, Eastern Express Highway, Vikhroli (East), Mumbai 400079.

Main Objects

- To carry on in India and in any part of the world, the business of processing, converting, producing, manufacturing, formulating, using, buying, acquiring, storing, packaging, selling, transporting, distributing, importing, exporting, and disposing of and otherwise dealing in oleo chemicals, petrochemicals their precursors and their derivatives, Synthetic Detergents, toilet soaps and vegetable oils.
- To carry on business as manufacturers of oilcakes, meals, oils, flour, protein concentrates and other by-products from soyabeans, cotton seeds, castor, linseed, sunflower, rice bran, ground-nut, salseed and other types of edible and non-edible seeds by any type of processing including ordinary crushing, solvent extraction, chemical or any other process and technique, to buy, sell, import, export and deal in such products to utilize, process, sell and deal in oils, cakes, other by-products and ingredients so produced or otherwise acquired in the manufacture of nutrition foods, soaps, cattle-feed

manure, fatty acids, perfumes, chemicals and all products in which such oils, cakes and other by products are utilized or manufacture and sale or lease of oil storage tanks and grain elevators.

- To carry out oil extraction by solvent and expeller methods and to carry on business of oil refining and the production of all types of foods and feeds such as soya flour, textured vegetable, proteins, meat analogues, protein concentrates and isolates and their variations such as soyabean beverages, roasted products, canned products and milk and milk products or confectionery and other edible and non-edible products from any kind of raw-material and chemicals such as lecithin, amino acids gum, and glues adhesives, surface reactants and other compounds based on soyabean oil and other oils and meal production.
- To carry on business as oil, cattle feed and manure manufacturers and to prepare, refine, buy, sell and deal in oils, fats cattle food, organic manure and chemical substances of every description and the products obtained in the manufacture of oil and to cultivate, crush, utilize, buy, sell and deal in oleaginous and saponaceous seeds and plants of very description.

Present Business of the Company

Godrej Consumer Products Limited (GCPL) is a leader among India's Fast Moving Consumer Goods (FMCG) companies, with leading Household and Personal Care Products. GCPL's brands, which include Goodknight, Cinthol, Godrej No. 1, Expert, Nupur, Hit, Jet, FairGlow, Ezee, Protekt and Snuggly, among others, are household names across the country. GCPL is one of the largest marketers of toilet soaps in the country and are also leaders in hair colours and household insecticides.

GCPL also has a strong emerging presence in markets outside India through its subsidiaries viz. Keyline Brands in U.K., Rapidol and Kinky Group in South Africa and Godrej Global Mideast FZE in Sharjah, Megasari group a leading household care company in Indonesia and Issue Group and Argencos, two leading hair colorant companies in Argentina . GCPL owns international brands and trademarks in Europe, Australia, Canada, Africa and the Middle East.

2. Abridged Financial Information:

Abridged Financial Information for the last five years in respect of the Company and its subsidiaries. (Annexure I)

3. Risk Factors: -

The risks and uncertainties include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, ability to manage growth, intense competition in the business in which the company is engaged, including those factors which may affect cost advantage, wage increases, company's ability to attract and retain highly skilled professionals, client concentration, company's ability to manage marketing and sales operations (including international operations), the success of the firms/businesses in which the Company has made strategic investments, withdrawal of governmental incentives, changes in various laws / regulations, political instability, legal restrictions on acquiring companies outside India, unauthorized use of intellectual property and general economic conditions affecting Chemicals and the other businesses of the company and the industry.

Management Perception: Some of the risks are normal to the nature of the industry in which the Company operates and some others are beyond the control of the Company.

4. Continuing Disclosures

The employee will receive copies of all documents that are sent to the members of the Company. This shall include the annual accounts of the Company as well as notices of meetings and the accompanying explanatory statements.

Part C: Salient Features of the Scheme

This Scheme is pursuant to and under the authority granted in terms of approval by the Shareholders at their Meeting, the results of which were declared on 17th January 2011 and in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999 (hereinafter referred to as 'the ESOP Guidelines'), prescribed by the Securities and Exchange Board of India.

This Scheme shall be called the "**Employees Stock Grant Scheme 2011**".

The Scheme applies to the Eligible Employees, who are in the whole time employment of the Company or its Subsidiary Company, working in India or abroad as per the Employee Stock Grant Scheme 2011, on the date of award of Stock Grant as well as on the date of vesting of the shares pursuant to the Stock Grant. The Compensation Committee of the Company would decide the entitlement of each employee based on his/her performance, level, grade, seniority and such other parameters as may be decided by the Compensation Committee.

DEFINITIONS

In this Scheme, unless the context otherwise requires,

The terms defined in this Employee Stock Grant Scheme 2011 shall have the meanings herein specified and the terms not defined in this Employee Stock Grant Scheme 2011 shall have the meanings as defined in the SEBI Act, 1992, the Securities Contracts (Regulation) Act, 1956, the Companies Act, 1956, the SEBI (Disclosure and Investor Protection) Guidelines 2000, Foreign Exchange Management Act, 1999, Income Tax Act, 1961 and the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, or in any statutory modifications or re-enactments thereof, as the case may be.

- "Applicable Law" means the legal requirements relating to Employees Stock Grant Scheme 2011, including, without limitation, the Companies Act, 1956, the SEBI Act, the SEBI Guidelines and all other relevant tax, securities, exchange control or corporate laws of India, or of any other relevant jurisdiction or of any stock exchange on which the Shares are listed or quoted;

- "Board" means the Board of Directors for the time being of the Company;
- "Company" means 'Godrej Consumer Products Limited', and any successor Company thereof;
- "Companies Act" means The Companies Act, 1956 and any statutory modifications or re-enactments thereof;
- "Compensation Committee" means a Committee as constituted by the Board of Directors of the Company consisting of independent Directors and other financial advisors, entrusted with the authority to formulate, implement and administer the Employees Stock Grant Scheme 2011;
- "Director" means a member of the Board of the Company.
- "Eligible Employee" means and includes a permanent employee or a Director of the Company or of the Subsidiary Company, working in India or abroad and who, at the time of the award of the Stock Grant and vesting of shares pursuant to the Stock Grants awarded, continues to be an employee of the Company. Eligible Employee does not include: a) any employee who is a Promoter or belongs to the Promoter group; b) director who either by himself or through his relative or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the company.
- "ESGS Scheme" or "the Scheme" means the Employees Stock Grant Scheme 2011;
- "Exercise" means making of an application by an Eligible Employee to the Company for allotment of shares vested under the Stock Grant awarded to him/her in pursuance of the ESGS Scheme, and paying the Exercise Price thereof;
- "Exercise Price" means, the price at which an Eligible Employee is entitled to receive the shares vested in him / her pursuant to the Stock Grants awarded to him/her under the ESGS Scheme;
- "Exercise Period" means the period within which the employees shall exercise their right to

acquire the shares of the company;

- “Letter of grant” means the letter issued by the Company intimating the Eligible Employee, the number of Stock Grants awarded to him and mentioning the Exercise Price;
- “Promoter” means; (a) the person or persons who are in over-all control of the Company; (b) the person or persons who are instrumental in the formation of the Company pursuant to which the Shares were offered to the public; (c) the person or persons named in the offer document as Promoter(s). Provided that a Director or officer of the Company, if he is acting as such only in his professional capacity, will not be deemed to be a Promoter;
- "Promoter Group" means (a) an immediate relative of the Promoter (i.e. spouse of that person, or any parent, brother, sister or child of the person or of the spouse); (b) persons whose shareholding is aggregated for the purpose of disclosing it in the offer document as "Shareholding of the Promoter Group";
- “SEBI Act” means the Securities & Exchange Board of India Act, 1992 as amended, and includes all regulations and clarifications issued thereunder;
- “SEBI Guidelines” means the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended and includes all regulations and clarifications issued thereunder;
- “Share(s)” means the Equity share(s) of the Company of a face value of `1/- each.
- “Stock Grant” means a grant given to an Eligible Employee which entitles him to receive a specified number of shares over the period of vesting, pursuant to the ESGS Scheme. One Stock Grant shall be equivalent to one Share of the Company;
- “Subsidiary Company” means any present or future Subsidiary Company of the Company, as defined in the Companies Act, 1956.
- “Vesting” means the process by which the employee is given the right to apply for shares of the Company against the grant awarded to him in pursuance of ESGS;

I. THE MAIN OBJECTIVES OF THE SCHEME:

- To recognize and reward the efforts of employees and their continued association with the Company;
- To introduce an objective component of employee compensation which would provide a direct linkage to the efforts of the employees with a measurable and widely accepted criterion i.e. the share price of the Company. The Board envisages this to act as a motivational tool for the employees of the Company;
- To keep long association with the Company;
- To have employee participation in shareholding of the Company;
- To provide the employees an incentive to continue and strengthen their association with the Company so as to result in long term benefits to the Company as well as the employee – shareowner;
- Bring long-term value to the shareholders;
- Motivate employees to better the Company's performance continuously.

II. DURATION OF THE SCHEME:

- The ESGS Scheme is effective from April 1, 2011, or from such other date as may be decided by the Board of Directors of the Company (the "Effective Date") and shall continue to be in force until (i) its termination by the Board or (ii) the date on which all of the shares to be vested under Employee Stock Grant Scheme 2011 have been vested in the Eligible Employees and all restrictions on such Stock Grants awarded under the terms of ESGS Scheme, if any, have lapsed, whichever is earlier.

III. TOTAL QUANTUM OF STOCK GRANTS TO BE AWARDED UNDER THE SCHEME:

- The total number of Stock Grants to be awarded under the ESGS Scheme shall not exceed Stock Grants equivalent to 25,00,000 (Twenty Five Lac Only) fully paid up shares of the Company. Not more than 5,00,000 (Five Lac Only) fully paid up shares or 1% of the issued

equity share capital at the time of awarding the Stock Grant, whichever is lower, can be awarded to any one employee in any one year.

IV. AWARDING STOCK GRANTS:

- Date of awarding the Stock Grant shall be the 1st day of April of every year or any other day as may be decided by the Compensation Committee;
- The number of Stock Grants to be awarded to Eligible Employees shall be decided by the Compensation Committee;
- The vesting of shares in the hands of the Eligible Employee shall be in accordance with the vesting mechanism as described in clause V of the ESGS Scheme;
- The decision of the Compensation Committee, with regard to the terms under which shares pursuant to the Stock Grants awarded shall be vested in the employee, will be final and binding on the employee.

V. VESTING OF SHARES:

- The shares shall be vested in the Eligible Employees pursuant to the ESGS Scheme in the following ratio:
 - 1/3 at the end of 1 year from the date on which the Stock Grants are awarded;
 - 1/3 at the end of 2 years from the date on which the Stock Grants are awarded;
 - 1/3 at the end of 3 years from the date on which the Stock Grants are awarded;
- The shares to be vested as above shall be subject to the condition that the Eligible Employee is in continuous employment of the Company or the Subsidiary company as the case may be, and is not serving any notice of resignation on the date of vesting of the grant.
- Compensation Committee shall have the authority to vary the aforesaid terms subject to compliance with applicable regulations.

VI. EXERCISE PERIOD:

- The Eligible Employee shall exercise her /his right to acquire the shares vested in her /him within 1 month from the date on which the shares vested in her /him or such other period as may be determined by the Compensation Committee;
- The Eligible Employee shall exercise her / his right to acquire shares vested in her /him all at one time, and shall not be permitted to exercise in part at various points of time within the exercise period.

VII. ALLOTMENT OF SHARES

- After the completion of each Exercise Period the Company shall issue and allot Shares to the Eligible Employee on his/her exercising the grants pursuant to the ESGS Scheme and shall comply with the requirement of listing of the said shares;

VIII. EXERCISE PRICE:

- The Exercise Price of the shares shall be ₹1.00 per share;
- The shares vested in the Eligible Employee shall be allotted, as mentioned in clause VII above, on payment of the Exercise Price.

IX. OTHER TERMS AND CONDITIONS:

- The Compensation Committee shall, based on the recommendations of the Management of the Company and/or the Subsidiary company, determine the exact allocation and eligibility criteria, the entitlement of Eligible Employees, etc., in respect of different categories of employees of the Company and the Subsidiary companies;
- An employee leaving the Company or the Subsidiary by way of resignation will not be entitled to receive the shares under the Stock Grants awarded to him, if the date of resignation precedes the date of vesting, as declared by the Compensation Committee;
- In case of cessation of employment by resignation, all the Stock Grants awarded to the employee and pending vesting, on the date of submission of the resignation letter by the employee, or on the date of the resignation letter which ever is earlier, shall lapse and the employee shall have no right to claim any part of it. Stock grants already vested in the hands of the Eligible Employee shall be exercised by the employee during the notice period but before the end of the exercise period. Taxes or any other liability or any amount recoverable from the Eligible Employee pursuant to such share allotment, if any, shall be adjusted in the full and final settlement of the employee to the extent possible;
- In the event of termination of employment on the grounds of misconduct, non-performance or otherwise, the Stock Grants awarded to the employee and pending vesting on the date of termination of employment shall lapse; In the event of death of an employee all Stock Grants awarded to the employee and pending vesting, shall be transferred to the legal heirs / nominee

of the employee and the Shares pursuant to the Stock Grants awarded shall vest immediately, subject to the minimum vesting period prescribed under the SEBI Guidelines, in the legal heirs / nominee of the employee upon payment of the Exercise Price;

- In the event of “Permanent Incapacity” of an employee while in employment, all the Shares pursuant to the Stock Grants awarded to the employee would vest immediately, subject to minimum vesting period prescribed under the SEBI Guidelines, upon payment of the Exercise Price;
- The Stock Grants awarded to an employee shall lapse on failure to exercise within exercise period;
- The Shares allotted to the Eligible Employees pursuant to payment of Exercise Price shall not be subject to any lock-in ;
- The Shares allotted to the Eligible Employees pursuant to the ESGS Scheme shall rank pari-passu in all respects with the existing equity shares of the Company;
- In the event of any bonus/split/rights issue of equity shares, the shares to be vested in the Eligible Employees will be suitably revised;
- In the event there is dilution of equity pursuant to any corporate restructuring/ merger/ acquisition, the Compensation Committee shall be empowered to make pro-rata adjustment in the number of shares to be vested in the hands of the Eligible Employees;
- The allotment of shares upon exercise, shall only be in Demat form;
- The Stock Grants awarded are NOT TRANSFERABLE;
- The Eligible Employee shall be construed as a member of the Company only for the number of shares actually allotted to her / him and not on merely holding the Stock Grants awarded. Thus the Eligible Employee shall not have the right to receive dividend or to vote in any manner or enjoy the benefits of a shareholder in respect of Stock Grants awarded to him, till shares are allotted on Exercise;

- The Stock Grants awarded to the Eligible Employee shall not be pledged, hypothecated or otherwise alienated, in any manner;
- In the event of an Eligible Employee being transferred to a subsidiary company at the instance of or with consent of the Company or vice versa, the Eligible Employee will continue to hold all Stock Grants awarded to him and shall be entitled to vest and receive all the shares pursuant to the Stock Grants awarded to him, as per the vesting schedule and on payment of the Exercise Price within the Exercise Period;
- For allotment of shares in Demat form, Eligible Employee shall be required to give their Depository Participant (D.P.) Code Number and Client I.D. number and mention their name in the application in the same manner as is registered with the Depository;
- The Eligible Employee, shall, during the Exercise Period, inform in writing, the number of shares which she/he wishes to receive, out of the shares vested as per the vesting schedule and send it to the Human Resource Department with the Demat Account details giving Depository Participant (D.P.) No. and Client I.D. Account No., together with cheque/demand draft payable at Mumbai for an amount equal to the aggregate Exercise Price payable in respect of the shares exercised. The cheque/demand draft must be drawn in favour of "Godrej Consumer Products Limited".

X. ADMINISTRATION OF THE ESGS SCHEME 2011:

The Compensation Committee of the Board of Directors of the Company shall administer the Scheme. Without prejudice to the foregoing, the Compensation Committee shall inter-alia have the authority to settle and decide on the following and related matters:

- Determining the Eligible Employees to whom the Stock Grant shall be awarded;
- The quantum of Stock Grant to be awarded at various points in time;
- The number of Stock Grant to be awarded to each employee;
- The vesting of shares in the Eligible Employees;
- The terms and conditions subject to which the shares would vest and be allotted to the Eligible Employees ;
- The date on which the shares would vest and be allotted to the Eligible Employees ;
- Deciding the treatment of un vested / un allotted shares upon termination of

employment;

- Deciding adjustments to Stock Grant award size and Exercise Price of shares in case of bonus issue or rights issue or share split or consolidation of shares;
- Withdrawal of Stock Grant on the grounds of misconduct , non performance or otherwise;
- Obtaining permissions from, making periodic reports to, the regulatory authorities, as may be required and ensuring compliance with all the guidelines applicable to the Scheme;
- Framing suitable policies and systems to ensure that there is no violation by any employee of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Securities Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 and the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, and
- Framing appropriate procedures for awarding the Stock Grant, vesting of shares and allotment of shares and amend and/or rescind rules and regulations relating to the scheme.

The terms prescribed by the Compensation Committee shall be final and binding on all the Eligible Employees .

XI. GOVERNMENTAL REGULATIONS:

This Scheme shall be subject to all applicable laws, rules, and regulations and to such approvals of any governmental agencies, as may be required. The Stock Grants and vesting of shares under this Scheme shall entitle the Company to require the employee to comply with such requirements of Law as may be necessary and appropriate in the opinion of the Company.

XII. DEDUCTION OF TAX

- The Company and/ or the Subsidiary company shall have the right to deduct from the salary/other dues of the Eligible Employee, for any obligation towards tax deduction arising in connection with the Stock Grants or the equity shares vested in the Eligible Employee. The Company shall be under no obligation to deliver the equity Shares or

to release the equity Shares in pursuance of the Scheme / agreement until the Company's or the Subsidiary company's tax deducting obligations, if any, under the prevailing tax laws, have been satisfied.

- In the event of any tax liability arising on account of the grant or vesting of the equity shares and on transfer of equity shares on Exercise or any other event, on the employee, the liability shall be that of the Employee alone.
- In the event of any tax liability arising on account of the Scheme to the Company or its Subsidiary Company, the Company or the Subsidiary Company, based on the advise of the Compensation Committee, shall have the right to collect the same from the Eligible Employees.

XIII. GENERAL RISKS:

Participation in this Scheme shall not be construed as any guarantee of return on the equity investment. Any loss due to fluctuations in the market price of the equity shares and the risks associated with the investments is that of the employee alone.

XIV. CHANGES IN THE TERMS AND CONDITIONS OF THE ESGS SCHEME

The Compensation Committee may at any time at its discretion, change the terms and conditions of the ESGS Scheme to meet any regulatory requirements or otherwise as it may deem fit to further the objectives of the scheme.

XV. CONFIDENTIALITY:

- The employee who holds any Stock Grant under the ESGS Scheme shall not divulge the details of the Scheme and his holding to any person except with the prior permission of the Company obtained in writing;
- The employee shall enter into such agreement, as the Company may desire from time to time, to more fully and effectively implement this Scheme.

XVI. CONTRACT OF EMPLOYMENT:

- Nothing in this Scheme shall be construed as affording such an individual any additional rights as to compensation or damages in consequence of the termination

of such office or employment for any reason;

- This Scheme shall not confer on any person any legal or equitable rights against the Company and / or the Subsidiary Company either directly or indirectly, or give rise to any cause of action in law or equity, against the Company and/ or the Subsidiary Company;
- This Scheme is purely at the discretion of the Company.

XVII. ARBITRATION

All disputes and claims in relation to this Scheme shall be referred to arbitration in accordance with the Arbitration & Conciliation Act, 1996, which shall be conducted at Mumbai, in accordance with the Arbitration & Conciliation Act, 1996.

XVIII. INTERPRETATION:

Any dispute, discrepancy or disagreement which shall arise under, or as a result of, or pursuant to, or in connection with this Scheme shall be referred to the Compensation Committee and shall be determined by the Compensation Committee and any such determination / decision / interpretation by the Compensation Committee shall be final and binding on all persons affected thereby.