

EMPLOYEE STOCK OPTION PLANS (ESOPs)

Disclosures pursuant to Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, read with SEBI circular dated June 16, 2015 on ESOP disclosures for the financial year ended 31st March, 2021.

- A) All the Relevant disclosures required under 'IND AS 102-Share based payment' are made in the Financial Statements.
- B) Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Ind-AS 33 (Earnings per Share): In accordance with IND-AS 33, the Basic and Diluted Earnings Per Share is Rs. 9.94 as 45,600 options only were exercised during the last quarter of the financial year 2020-21.
- C) Details relating to the KPCL Employee Stock Option Scheme 2019 (ESOS):
- i) The description including terms and conditions of ESOS is summarized as under:

Sr. No.	Particulars	KPCL Employee Stock Option Scheme 2019
1.	Date of shareholders' approval	20 th July, 2020
2.	Total number of options approved under the Scheme	11,00,000 (Eleven Lakhs)
3.	Vesting requirements	<p>There shall be a minimum period of 1 year between grant of options and vesting of options.</p> <p>The options would vest over a maximum period of 4 years.</p> <p>Vesting shall be subject to the condition that the grantee is in employment or service of the Company on the date of Vesting and subject to achievement of performance criteria.</p>
4.	Exercise price or pricing formula	The Exercise Price shall be upto 40% discount to Market Price of the Share as on date of Grant of Options, as decided by the Nomination and Remuneration Committee, but in no case it shall be less than the face value of Share

		“Market Price” means the latest available closing price on the Stock Exchange, on which the shares of the Company are listed on the date immediately prior to the date of grant.
5.	Maximum term of options granted	4 years with Exercise Period of 3 years from the date of vesting.
6.	Source of shares (primary, secondary or combination)	Primary
7.	Variation in terms of options	Subject to necessary approvals as may be required, the Nomination and Remuneration Committee may at any time amend, alter or vary the terms of the KPCL ESOS 2019 and / or terms of the options already granted under the KPCL ESOS 2019 subject to the condition that such amendment, alteration or variation as the case may be is not detrimental to the interest of Employees. During the financial year under review, no amendment / modification / variation has been introduced in terms of options granted by the Company.

- ii) Method used to account for ESOS:
The Company uses fair value based method of accounting for stock options which is in accordance with Ind AS-102.
- iii) Where the Company opts for expensing of the options using intrinsic value of the options, the difference between the employee compensation cost so computed and employee compensation cost that shall have been recognised if it had used the fair value of the options. The impact of this difference on profits and EPS of the Company. Not applicable
- iv) Option movement during the year ended 31st March, 2021 :

a)	Number of options outstanding at the beginning of year	6,84,000
b)	Number of options granted during the year	NIL
c)	Number of options forfeited / lapsed / cancelled/expired during the year	37,000
d)	Number of options vested during the year	1,96,500
e)	Number of options exercised during the year	45,600
f)	Number of shares arising as a result of exercise of options	45,600
g)	Money realized by exercise of options	54,72,000

h)	Loan repaid by the Trust during the year from exercise price received	NA
i)	Number of options outstanding at the end of the year	6,01,400
j)	Number of options exercisable at the end of the year	NIL

- v) Weighted average exercise price and weighted average fair value of options, exercise price of which is less than the market price on the date of grant:

Weighted average exercise price : Rs. 120

Weighted average fair value of Options : Rs. 70.42

- vi) Employee wise details of options granted during the year: No fresh options were granted during the financial year 2020-21.

a. Any other employees who receive a grant in any one year of options amounting to 5 percent or more of options granted during that year: Nil

b. Identified employees who were granted options, during any one year, equal to or exceeding 1 percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: Nil

- vii) Description of the method and significant assumptions used during the year to estimate the fair value of options :

The fair value of the options at grant date is determined using Black-Scholes-Merton option pricing model after applying the following assumptions.

- a. The model inputs for options granted during the year ended 31st March, 2020 included:

Particulars	Vesting Dates			
	22 October 2020	22 October, 2021	22 October 2022	22 October 2023
Share price	158.65	158.65	158.65	158.65
Exercise Price	120	120	120	120
Expected Volatility (standard deviation)	37.99%	38.96%	39.47%	38.81%
Expected option life (in years)	2.5	3.5	4.5	5.5
Expected Dividend	1.19%	1.19%	1.19%	1.19%
Risk free interest rate	5.85%	6.15%	6.33%	6.46%
Any other inputs to the model	Nil	Nil	Nil	Nil

- b. The method used and the assumptions made to incorporate the effects of expected early exercise : Not Applicable
- c. How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility:
The expected price volatility is determined using annualized standard deviation (a measure of volatility used in Black-Scholes-Merton option pricing) and the historic volatility based on remaining life of the options.
- d. Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.: Nil