

## EMPLOYEE STOCK OPTION SCHEME (ESOS)

Disclosures pursuant to Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 for the financial year ended 31<sup>st</sup> March, 2022.

- A) All the relevant disclosures required under 'Ind AS 102 - Share-based Payment' including the 'Guidance note on accounting for employee share-based payments' 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. 13.19 and Rs. 13.12, respectively as 178,000 options only were exercised during the last quarter of the financial year 2021-22.
- C) Details relating to 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 ('KPCL ESOS 2019' or 'the Scheme')
1.	Date of shareholders' approval	20 <sup>th</sup> 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 date of vesting.
6.	Source of shares (primary, secondary or combination)	Primary
7.	Variation in terms of options	<p>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.</p> <p>During the financial year under review, no amendment / modification / variation has been introduced in terms of options granted by the Company.</p>

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 the intrinsic value of the options, the difference between the employee compensation cost so computed and the 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 on EPS of the Company – Not Applicable.

iv) Option movement during the year ended 31<sup>st</sup> March, 2022:

a)	Number of options outstanding at the beginning of year	6,01,400
b)	Number of options granted during the year	1,04,000
c)	Number of options forfeited / lapsed / cancelled / expired during the year	49,500
d)	Number of options vested during the year	1,48,000
e)	Number of options exercised during the year	1,78,000
f)	Number of shares arising as a result of exercise of options	1,78,000
g)	Money realized by exercise of options	2,13,60,000
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	4,77,900
j)	Number of options exercisable at the end of the year	1,17,900

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:

For options granted on 22<sup>nd</sup> October, 2019: Rs. 120/-

For options granted on 29<sup>th</sup> April, 2021 : Rs. 190/-

Weighted-average fair value of options:

For options granted on 22<sup>nd</sup> October, 2019: Rs. 70.42

For options granted on 29<sup>th</sup> April, 2021 : Rs. 115.12

vi) Employee wise details of options granted during the year ended 31<sup>st</sup> March, 2022:

a) Senior managerial personnel as defined under Regulation 16(d) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015: NIL

b) Any other employees who receive a grant in any one year of options amounting to 5% or more of total options, granted during that year : NIL

c) Identified employees who were granted options, 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 : 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 31<sup>st</sup> March, 2022 included:

Particulars	Vesting Dates			
	22 October, 2020	22 October, 2021	22 October, 2022	22 October, 2023
Weighted-average values of 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

Particulars	Vesting Dates			
	29 April, 2022	29 April, 2023	29 April, 2024	29 April, 2025
Weighted-average values of share price	258.90	258.90	258.90	258.90
Exercise Price	190	190	190	190
Expected Volatility (standard deviation)	46.62%	44.54%	43.94%	43.17%
Expected option life (in years)	2.5	3.5	4.5	5.5
Expected Dividend	1.38%	1.38%	1.38%	1.38%
Risk free interest rate	4.67%	5.15%	5.42%	5.78%
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 options granted were incorporated into the measurement of fair value, such as a market condition : NIL