

EMPLOYEE STOCK OPTION PLANS (ESOPs)

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 31st March, 2022

- A. Relevant disclosures in terms of the 'Guidance note on accounting for employee share-based payments' issued by ICAI or any other relevant accounting standards as prescribed from time to time:** 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. 14.38 and Rs. 14.36 respectively
- C. Details related to Kirloskar Oil Engines Limited – Employee Stock Option Plan 2019 (KOEL ESOP 2019):**
- i. The description including terms and conditions of KOEL ESOP 2019 is summarized as under:

Sr. No.	Particulars	Details
1	Date of shareholders' approval	9 th August 2019 and 12 th August 2021
2	Total number of options approved under the Scheme	Not exceeding 14,00,000 (Fourteen Lakhs) options to eligible Employees in one or more tranches
3	Vesting requirements	There shall be a minimum period of 1 year between grant of options and vesting of options. The options would vest over a maximum period of 4 years. 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.
4	Exercise price or pricing formula	Closing market price on the day prior to the date of grant on stock exchange with highest trading volume

Sr. No.	Particulars	Details
5	Maximum term of options granted (years)	The Employee Stock Options granted shall be capable of being exercised within a period being not more than two years from the date of vesting
6	Source of shares (primary, secondary or combination)	Primary Issuance
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 KOEL ESOP 2019 and / or terms of the options already granted under the KOEL ESOP 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 modification / variation has been introduced in terms of options granted by the Company, however the following amendments were carried out in the KOEL ESOP 2019:</p> <ul style="list-style-type: none"> <li data-bbox="1128 1136 1559 1476">i. To align and comply the requirements of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (“SEBI SBEB Regulations”) along with to bring flexibility provided under the SEBI SBEB Regulations. <li data-bbox="1128 1486 1559 1864">ii. To include the eligible employees of its subsidiary company, in or out of India except such subsidiary company(ies) which are formed and engaged in financial service business including without limitation to Arka Fincap Limited

- ii. **Method used to account for KOEL ESOP 2019** - 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 recognized 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 31st March 2022:**

Sr. No.	Particulars	Details
1	No. of Options Outstanding at the beginning of the year	9,40,000
2	Options Granted during the year	50,000*
3	Options Forfeited / lapsed during the year	2,25,087
4	Options Vested during the year	2,01,115
5	Options Exercised during the year	Nil
6	Total number of shares arising as a result of exercise of options	Nil
7	Money realised by exercise of options (Rs.)	Nil
8	Loan repaid by the Trust during the year from exercise price received	NA
9	Number of options Outstanding at the end of the year	7,64,913
10	Number of Options exercisable at the end of the year	2,01,115

* Granted to the specified employees of La-Gajjar Machineries Private Limited, a subsidiary company.

Note: As on 31st March 2022, the exercise money for 1571 equity shares is accounted as Share application money. The Company had allotted 1,571 equity shares of Rs. 2/- each on 10th May 2022

- v. **Weighted-average exercise prices and weighted-average fair values of options, exercise price of which is either equals or exceeds or is less than the market price of the stock:**

Weighted average exercise price of Options granted during the year whose		
(a)	Exercise price equals market price	NA
(b)	Exercise price is greater than market price	NA
(c)	Exercise price is less than market price	128.88
Weighted average fair value of options granted during the year whose		
(a)	Exercise price equals market price	NA
(b)	Exercise price is greater than market price	NA
(c)	Exercise price is less than market price	102.86

The weighted average market price of options exercised during the year	NA
The weighted average Contractual life of Options Outstanding as on 31 st March 2022 (in Years)	3.40
The weighted average Contractual life of Options Exercisable as on 31 st March 2022 (in Years)	NA

vi. **Employee wise details of options granted during the year:**

a. **Senior Managerial Personnel (including Key Managerial Personnel): NA**

Sr. No.	Name	Designation	Total number of Stock Options*	Exercise Price Per Option (In Rs.)

b. **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:**

Sr. No.	Name of the Employee	No. of Options
1	Mr. Dilip Thakkar	7,600
2	Mr. C.S. Satish	3,000
3	Mr. Anit Kumar Chhabra	4,000
4	Ms. Anju Vithal Kadam	4,000
5	Mr. Joginder A. Makkad	2,500

c. **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. **A description of the method and significant assumptions used during the year to estimate the fair value of options:**

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

Sr. No.	Particulars	
1	Price of the underlying share in market at the time of the option grant (Rs.)	214.80
2	Exercise Price (Rs.)	128.88
3	Expected Volatility	39.66%
4	Expected Life (Years)	3.50
5	Dividend Yield	2.17%
6	Risk Free Interest Rate	5.16%
7	Any other inputs to the model	NA

Assumptions:

Stock Price: The closing market price one day prior to the date of grant on National Stock Exchange (NSE) has been considered since volumes traded on NSE being higher than BSE hence, these prices have been taken in compliance with the scheme of company for the purpose of option valuation.

Volatility: The historical volatility over the expected life has been considered to calculate the fair value. The sample standard deviation in the field of Statistics is a distribution free parameter depicting the second moment characteristic of the sample data.

Risk-free rate of return: The risk-free interest rate being considered for the calculation is the interest rate applicable for maturity equal to the expected life of the options based on the zero-yield curve for Government Securities.

Exercise Price: We have considered the exercise price as per the information provided by the Company.

Time to Maturity: It is the period for which the Company expects the options to be live. The minimum life of a stock option is the minimum period before which the options cannot be exercised and the maximum life is the period after which the options cannot be exercised.

Expected dividend yield: Expected Dividend yield has been calculated as an average of dividend yields for the preceding 5 years to the year of the date of grant. The dividend yield for each year has been derived by dividing the dividend per share by the average market price of the respective period.

- 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