

## Annexure to Directors Report for Financial Year 2018-19

### **Disclosure pursuant to SEBI (Share Based Employee Benefits) Regulations, 2014**

The Securities and Exchange Board of India (SEBI), vide its notification dated October 28, 2014, had issued the Securities and Exchange Board of India (Share-based Employee Benefits) Regulations, 2014 (the "SEBI Regulations") which replaced the SEBI ESOP Guidelines, 1999.

The Company has instituted the Employee Stock Option Plan ("TVTN ESOP 2006") to grant equity-based incentives to its eligible employees of the Company, its holding Company and of its subsidiaries. The TVTN ESOP 2006 was approved by the Board of Directors in their meeting held on August 21, 2006 and by the shareholders in their meeting held on September 28, 2006, for grant of 29,00,000 Options, representing one share for each Option upon exercise by the employees of the Company, at an exercise price determined by the Board/Committee. Options granted under TVTN ESOP 2006 would vest not less than one year and not more than 4 years from the date of grant. TVTN ESOP 2006 is in compliance with the SEBI Regulations.

The disclosure pursuant to Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014 read with SEBI circular dated July 16, 2015 on ESOP Disclosures are detailed under:

S. No.	Particulars	Details
<b>A</b>	<b>Relevant disclosures in terms of the Guidance Note on Accounting for employees share-based payments issued by ICAI or any other relevant Accounting Standards as prescribed from time to time</b>	Please refer Annexure - 1
<b>B</b>	<b>Diluted EPS on issue of shares pursuant to all the Schemes covered under the regulations shall be disclosed in accordance with Accounting Standard 20 – Earning Per Share issued by ICAI or any other relevant accounting standards as prescribed from time to time.</b>	Please refer Annexure - 2
<b>C</b>	<b>Details relating to ESOS</b>	
(i)	<b>A description of each ESOS that existed at any time during the year, including the general terms and conditions of each ESOS including:</b>	
	(a) Date of Shareholders approval	September 28, 2006
	(b) Total number of Options approved under ESOS	29,00,000 Stock Options
	(c) Vesting requirements	Options granted under TVTN ESOP 2006 would vest not less than one year and not more than 4 years from the date of grant.  Vesting of options would be subject to continued employment with the Company/holding Company /and or its subsidiaries.
	(d) Exercise Price or pricing formula	50% of the shares will be offered at the market price. The balance 50% shares will be offered at a discount varying from Rs. 0 to Rs. 30/- to the market price depending upon performance criteria by the employee from year to year.

	(e) Maximum term of Options granted	10 years from the date of grant
	(f) Source of shares (primary, secondary or combination)	Primary
	(g) Variations in terms of Options	During the year, no amendment/ modification/ variation has been introduced in terms of options granted by the Company.
(ii)	<b>Method used to account for ESOS – Intrinsic or fair value</b>	Intrinsic value
(iii)	<b>Where the Company opts for expensing of the options using the intrinsic value of the stock 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 shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.</b>	Total expense/income arising from share based payment transactions recognised in profit or loss as part of employee benefits expense during the year ended March 31, 2019 is NIL.  The impact of this difference on profit and on EPS of the Company is NIL.
(iv)	<b>Option Movement during the year</b>	
	(a) Number of Options outstanding at the beginning of the period	15,000
	(b) Number of options granted during the year	NIL
	(c) Number of options forfeited / lapsed during the year	NIL
	(d) Number of options vested during the year	NIL
	(e) Number of options exercised during the year	7,500
	(f) Number of shares arising as a result of exercise of options	7,500
	(g) Money realized by exercise of options (INR), if scheme is implemented directly by the company	Rs. 586,125
	(h) Loan repaid by the Trust during the year from exercise price received	Not Applicable
	(i) Number of options outstanding at the end of the year	7,500
	(j) Number of options exercisable at the end of the year	7,500
(v)	<b>Weighted average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock</b>	<b>Weighted-average exercise price:</b> Rs. 87.85  <b>Weighted-average fair value:</b> Rs. 102.85
(vi)	<b>Employee wise details (name of employee, designation, number of options granted during the year, exercise price) of options granted to</b>	No options were granted during the year 2018-19
	A. Key Managerial Personnel/ senior managerial personnel;	

	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; and	
	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.	
(vii)	<b>A description of the method and significant assumptions used during the year to estimate the fair value of options including the following information:</b>	
	(a) the weighted-average values of share price, exercise price, expected volatility, expected option life, expected dividends, the risk-free interest rate and any other inputs to the model;	Please refer Annexure - 3
	(b) the method used and the assumptions made to incorporate the effects of expected early exercise;	It is assumed that the employees would exercise the options after vesting date when the share price will be twice the exercise price.
	(c) how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and	Expected volatility is calculated on the basis of the "share price volume data" available at www.nseindia.com. Historical volatility was 50.96%, which includes the early years of the Company's life; the Company expects the volatility of its share price to reduce as it matures.
	(d) whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition	No
(vi)	<b>Disclosures in respect of grants made in three years prior to IPO under each ESOS</b>	NIL

## Annexure-1

### Relevant disclosures in terms of the Guidance Note on Accounting for employees' share-based payments issued by ICAI or any other relevant Accounting Standards as prescribed from time to time

**Note:** Ind AS 101 permits a first-time adopter to not apply Ind AS 102, Share - based payments for the equity instruments that vested before the date of transition to Ind AS and liabilities arising from share - based payment transactions that were settled before the date of transition to Ind AS.

Accordingly, the Company has not applied Ind AS 102, to the equity instruments that vested before the transition date and liabilities arising from share - based payment transactions that were settled before the date of transition to Ind AS. Further, no options have vested after the transition date. Hence, the accounting treatment for the existing vested options is based on intrinsic value method according to the terms of the Guidance Note on Accounting for employees' share-based payments issued by ICAI.

#### **A. Summary of the Options granted under the ESOP Plan**

Particulars	March 31, 2019		March 31, 2018	
	Average exercise price per share Option (in Rs.)	Number of Options	Average exercise price per share Option (in Rs.)	Number of Options
Opening Balance	83.00	15,000	83.00	15,000
Granted during the year	-	-	-	-
Exercised during the year	78.15	7,500	-	-
Expired during the year	-	-	-	-
<b>Closing Balance</b>	<b>87.85</b>	<b>7,500</b>	<b>83.00</b>	<b>15,000</b>
Vested and exercisable		7,500		15,000

#### **B. Share Options outstanding at the end of the year have the following expiry dates and exercise prices:**

Grant Date	Expiry Date	Exercise Price (in Rs.)	Share Options	
			March 31, 2019	March 31, 2018
June 24, 2008	June 23, 2018	93.15	-	3,750
June 24, 2008	June 23, 2018	63.15	-	3,750
May 20, 2010	May 19, 2020	102.85	3,750	3,750
May 20, 2010	May 19, 2020	72.85	3,750	3,750
<b>Total</b>			<b>7,500</b>	<b>15,000</b>
<b>Weighted average remaining contractual life of Options outstanding at the end of the period</b>			<b>1.14 years</b>	<b>1.18 years</b>

**Note:** No Options were granted during the year ended March 31, 2019 and March 31, 2018

#### **C. Other information regarding employee share-based payment plans is as below:**

(Rs. in Lakhs)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Expense arising from employee share-based payment plans	Nil	Nil
Expense arising from share and stock option plans	Nil	Nil
Closing balance of liability for cash stock appreciation plan	N.A.	N.A.
Expense arising from increase in fair value of liability for cash stock appreciation plan	N.A.	N.A.

## Annexure-2

Diluted EPS on issue of shares pursuant to all the Schemes covered under the regulations shall be disclosed in accordance with Accounting Standard 20 – Earning Per Share issued by ICAI or any other relevant accounting standards as prescribed from time to time

### Effects of Share Options on Diluted Earnings per Share

Particulars	(Rs. in Lakhs)
	For the year ended March 31, 2019
Net profit for the year ended 31.03.2019	12,990.44
Weighted average number of equity shares outstanding during the year ended 31.03.2019 (no. of shares)	59,661,115
Average fair value of one equity share during the year ended 31.03.2019 (in Rs.)	Rs. 403.44
Weighted average number of shares under option during the year ended 31.03.2019 (no. of shares)	1,094
Average Exercise price for shares under option during the year ended 31.03.2019 (in Rs.)	87.85

### Computation of earnings per share

Particulars	(Rs. in Lakhs)
	For the year ended March 31, 2019
Net profit for the year ended 31.03.2019	12,990.44
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	59,661,115
Number of shares under option	1,094
Weighted average number of equity shares and potential equity shares used as the denominator in calculating diluted earnings per share*	59,662,209
<b>Basic earnings per share</b>	<b>21.77</b>
<b>Diluted earnings per share</b>	<b>21.77</b>

\* The weighted average number of shares takes into account the weighted average effect of stock options outstanding as at the balance sheet date.

**Annexure-3**

The estimated fair value of each stock option granted in the general employee stock option plan is Rs.73.15. This was calculated by applying intrinsic pricing model. The model inputs were as follows

<b>Inputs</b>	<b>First Grant</b>	<b>Second Grant</b>	<b>Third Grant</b>	<b>Fourth Grant</b>	<b>Fifth Grant</b>	<b>Sixth Grant</b>	<b>Seventh Grant</b>
Share Price at grant Date (in Rs.)	74.35	134.85	152.75	93.15	113.90	102.85	85.15
Exercise price (in Rs.)*	74.35	134.85	152.75	93.15	113.90	102.85	85.15
Expected Volatility	48.28%	55.44%	51.27%	58.35%	54.44%	52.40%	43.13%
Expected Dividends	1.01%	0.56%	0.49%	0.83%	0.66%	0.74%	0.89%
Contractual Life (in years)	10	10	10	10	10	10	10
Risk Free Interest Rate	7.35%	7.87%	8.07%	8.83%	8.09%	7.94%	8.10%

\*50% of options are granted at the market price and balance 50% of the options at a discount to the market price. Discount shall vary from Rs. 0 to Rs. 30/- depending upon the meeting of the performance criteria, by the employee from year to year.