

Annexure to Directors Report for Financial Year 2016-17

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
A	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	Please refer Annexure - 1
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.	Please refer Annexure - 2
C	Details relating to ESOS	
(i)	A description of each ESOS that existed at any time during the year, including the general terms and conditions of each ESOS including:	
	(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)	Method used to account for ESOS – Intrinsic or fair value	Intrinsic value
(iii)	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.	Total expense/income arising from share based payment transactions recognised in profit or loss as part of employee benefits expense as on March 31, 2017 is NIL. The impact of this difference on profit and on EPS of the Company is NIL.
(iv)	Option Movement during the year	
	(a) Number of Options outstanding at the beginning of the period	25,000
	(b) Number of options granted during the year	NIL
	(c) Number of options forfeited / lapsed during the year	10,000
	(d) Number of options vested during the year	NIL
	(e) Number of options exercised during the year	NIL
	(f) Number of shares arising as a result of exercise of options	NIL
	(g) Money realized by exercise of options (INR), if scheme is implemented directly by the company	NIL

	(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	15,000
	(j) Number of options exercisable at the end of the year	15,000
(v)	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	Weighted-average exercise prices : <ul style="list-style-type: none"> • when the exercise price is equal to market price - Rs. 89.58 • when the exercise price is less than market price - Rs. 75.10 Weighted-average fair values <ul style="list-style-type: none"> • when the exercise price is equal to market price - Rs. 56.78 • when the exercise price is less than market price - Rs. 63.15
(vi)	Employee wise details (name of employee, designation, number of options granted during the year, exercise price) of options granted to	No options were granted during the year 2016-17
	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)	A description of the method and significant assumptions used during the year to estimate the fair value of options including the following information:	
	(a) the weighted-average values of share price, exercise price, expected volatility, expected option life, expected dividends, the risk-free interest rate and	Please refer Annexure - 3

	any other inputs to the model;	
	(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 51.90%, 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)	Disclosures in respect of grants made in three years prior to IPO under each ESOS	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

A. Summary of the Options granted under the ESOP Plan

Particulars	March 31, 2017		March 31, 2016	
	Average exercise price per share Option (in Rs.)	Number of Options	Average exercise price per share Option (in Rs.)	Number of Options
Opening Balance	97.74	25,000	94.48	30,000
Granted during the year	-	-	-	-
Exercised during the year*	-	-	83.15	5,000
Expired during the year	119.85	10,000	-	-
Closing Balance		15,000		25,000
Vested and exercisable		15,000		25,000

* No Options were exercised during the year ended March 31, 2017. The weighted average share price at the date of exercise of Options exercised during the year ended March 31, 2016: Rs. 83.15 (April 1, 2015:Rs. 71.44)

Note: No Options were forfeited during the periods covered in the above table.

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, 2017	March 31, 2016
March 1, 2007	February 28, 2017	134.85	-	5,000
March 1, 2007	February 28, 2017	104.85	-	5,000
June 24, 2008	June 23, 2018	93.15	3,750	3,750
June 24, 2008	June 23, 2018	63.15	3,750	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
Total			15,000	25,000
Weighted average remaining contractual life of Options outstanding at the end of the period			2.18 years	2.28 years

Note: No Options were granted during the year ended March 31, 2017 and March 31, 2016

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

Particulars	(Rs. In Lacs)	
	Year ended March 31, 2017	Year ended March 31, 2016
Expense arising from employee share-based payment plans	NIL	NIL
Expense arising from share and stock option plans	NIL	(0.25)
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 Lacs)
	For the year ended March 31, 2017
Net profit for the year ended 31.03.2017	10,788.06
Weighted average number of equity shares outstanding during the year ended 31.03.2017 (no. of shares)	5,96,53,615
Average fair value of one equity share during the year ended 31.03.2017 (in Rs.)	Rs. 296.42
Weighted average number of shares under option during the year ended 31.03.2017 (no. of shares)	2,302
Exercise price for shares under option during the year ended 31.03.2017 (in Rs.)	Nil

Computation of earnings per share

Particulars	Earnings (Rs. In Lacs)	No. of Shares	Earnings Per Share (in Rs.)
Net profit for the year ended 31.03.2017	10,788.06	5,96,53,615	18.08
Weighted average number of shares outstanding during year ended 31.03.2017	10,788.06	5,96,55,917	18.08
Basic earnings per share	10,788.06	5,96,53,615	18.08
Number of shares under option		2,302	
Diluted earnings per share	10,788.06	5,96,55,917	18.08

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

Inputs	First Grant	Second Grant	Third Grant	Fourth Grant	Fifth Grant	Sixth Grant	Seventh Grant
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.