

Disclosure with respect to Employees' Stock Option Scheme, 2016 of the Company pursuant to regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 as on March 31, 2019:

- (A) **Relevant disclosure in terms of the 'Guidance note on accounting for employee share-based payments' issued by Institute of Chartered Accountants of India (ICAI) or any other relevant accounting standards as prescribed from time to time.**

Members may refer to the audited financial statements prepared as per Indian Accounting Standard (Ind-AS) for the year 2018-19. (Refer note 38 of Notes to Financial Statements)

- (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 - Earnings Per Share' issued by ICAI or any other relevant accounting standards as prescribed from time to time.**

Diluted EPS for the year ended March 31, 2019 is Rs. 6.19 calculated in accordance with IND - AS 33 (Earning Per Share). (Refer note 33 of Notes to Financial Statements)

- (C) **Details related to Employee Stock Option Scheme 2016**

The description including terms and conditions of ESOS-2016 is summarized as under:

| (a) | Details of shareholder's approval | 28 th September, 2016 | | | | | | | | | | |
|--------------------------------|---|---|--------------------------------|------------------|----------------------------|-----|----------------------------|-----|----------------------------|-----|----------------------------|-----|
| (b) | Total number of options approved under ESOS | 3,71,108 | | | | | | | | | | |
| (c) | Vesting requirements | <p>The options will vest as per the following schedule:</p> <table border="1"> <thead> <tr> <th>Vesting period from grant date</th> <th>Vesting Schedule</th> </tr> </thead> <tbody> <tr> <td>On completion of 24 months</td> <td>25%</td> </tr> <tr> <td>On completion of 36 months</td> <td>25%</td> </tr> <tr> <td>On completion of 48 months</td> <td>25%</td> </tr> <tr> <td>On completion of 60 months</td> <td>25%</td> </tr> </tbody> </table> <p>The first grant vested with eligible employees on 12th November, 2018.</p> | Vesting period from grant date | Vesting Schedule | On completion of 24 months | 25% | On completion of 36 months | 25% | On completion of 48 months | 25% | On completion of 60 months | 25% |
| Vesting period from grant date | Vesting Schedule | | | | | | | | | | | |
| On completion of 24 months | 25% | | | | | | | | | | | |
| On completion of 36 months | 25% | | | | | | | | | | | |
| On completion of 48 months | 25% | | | | | | | | | | | |
| On completion of 60 months | 25% | | | | | | | | | | | |
| (d) | Exercise price or pricing formula | Rs. 65 | | | | | | | | | | |
| (e) | Maximum term of options granted | 2 years | | | | | | | | | | |
| (f) | Scheme of Shares (primary, secondary or combination) | Primary | | | | | | | | | | |
| (g) | Variation in terms of option | None | | | | | | | | | | |

- (ii) **Method used to account for ESOS - Intrinsic or fair value:**

The Fair value method is used to account for ESOS.



(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 shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed. - Not Applicable

(iv) Option movement during the year (For each ESOS):

| Particulars | Details |
|---|-----------|
| Number of options outstanding at the beginning of the period | 2,10,000 |
| Number of options granted during the year | Nil |
| Number of options forfeited / lapsed during the year | 30,000 |
| Number of options vested during the year | 45,000 |
| Number of options exercised during the year | 36,750 |
| Number of shares arising as a result of exercise of options | 36,750 |
| Money realized by exercise of options (INR), if scheme is implemented directly by the company | 23,88,750 |
| Loan repaid by the Trust during the year from exercise price received | N.A |
| Number of options outstanding at the end of the year | 1,43,250 |
| Number of options exercisable at the end of the year | 8,250 |

(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.

Refer note 38 of Notes to Financial Statements.

(vi) Employee wise details (name of employee, designation, number of options granted during the year, exercise price) of options granted to:

| Options granted to | Name and Designation | Options granted and exercise price |
|---|----------------------|------------------------------------|
| Senior Managerial Personnel; | Nil | |
| Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year; | Nil | - |
| Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding | Nil | - |



| | | |
|--|--|--|
| 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) Exercise price - 65
 Expected volatility - 31.82%
 Expected option life - 2 years
 Expected life - 4 years
 Expected dividends - -
 Risk-free interest rate - 6.53%

(b) **the method used and the assumptions made to incorporate the effects of expected early exercise;**

Black Scholes option pricing model was considered to estimate value of ESOPs granted.

(c) **how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and**

Vardhman Special Steels' historical stock volatility as of the Valuation Data is tabulated below:
 The volatility was determined based on the data of other comparable industries as below:

| Expected term (in years) | 3.00 | 4.00 | 5.00 | 6.00 |
|---------------------------------|-------|-------|-------|------|
| Vardhman Special Steels Limited | 53.5% | 58.5% | 57.4% | 56.8 |

Sources: Capital IQ

(d) **Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition - As given above.**

