

Annexure 4 to the Board's Report

DISCLOSURE IN RELATION TO KANSAI NEROLAC PAINTS LIMITED - RESTRICTED STOCK UNIT PLAN 2022 ("RSU PLAN 2022 / PLAN")

[Pursuant to Regulation 14 read with Part F of Schedule I of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("SEBI SBEB & SE Regulations") and Section 62(1)(b) of the Companies Act, 2013 read with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014]

- Relevant disclosures in terms of the accounting standards prescribed by the Central Government in terms of Section 133 of the Companies Act, 2013 (18 of 2013) including the 'Guidance note on accounting for employee share-based payments' issued in that regard from time to time.**

The disclosures are provided in Note 46 – Share based payments to the Standalone Financial Statements and Note 45 – Share based payments to the Consolidated Financial Statements.

- 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 Central Government or any other relevant accounting standards as issued from time to time.**

The disclosures are provided in Note 37 – Earnings Per Equity Share to the Standalone Financial Statements and Note 36 – Earnings Per Equity Share to the Consolidated Financial Statements.

- Description of each ESOS that existed at any time during the year, including the general terms and conditions of each ESOS**

a) Date of Shareholders' approval	25th October, 2022
b) Total number of options approved under ESOS	The total number of Restricted Stock Units ("RSUs") to be granted under the RSU Plan 2022 shall not exceed 53,89,197 (Fifty three lakhs eighty nine thousand one hundred ninety seven) RSUs which upon exercise shall be convertible into not more than 53,89,197 (Fifty three lakhs eighty nine thousand one hundred ninety seven) equity shares of face value of ₹ 1 (Rupee One) each fully paid-up. Each RSU when exercised would be converted into one equity share of ₹ 1 (Rupee One) fully paid-up. Further, SEBI SBEB & SE Regulations requires that in case of any corporate action such as rights issue, bonus issue, merger, sale of division etc., a fair and reasonable adjustment needs to be made to the RSUs granted. In this regard, the Committee shall adjust the number and price of the RSU Plan 2022 granted in such a manner that the total value of the RSUs granted under the RSU Plan 2022 shall remain the same after any such corporate action. Accordingly, if any additional RSUs are issued by the Company to the grantees for making such fair and reasonable adjustment, the ceiling of 53,89,197 (Fifty three lakhs eighty nine thousand one hundred ninety seven) shall be deemed to be increased to the extent of such additional RSUs issued.
c) Vesting requirements	RSUs shall vest essentially based on continuation of employment/service as per requirement of SEBI SBEB & SE Regulations. In addition to this, the Committee may also determine, at its sole discretion, certain criteria like designation, period of service, performance linked parameters viz., revenue targets, PBT targets etc., subject to satisfaction of which the RSUs would vest. Further, the Committee shall have the power to modify the allocation percentage of performance and tenure based RSUs, at the time of grant, based on business requirements.
d) Exercise price or pricing formula	The Exercise Price per RSU shall be the face value of Share of the Company as on Grant Date.
e) Maximum term of options granted	RSUs granted on any date shall vest not later than a maximum of 4 (four) years from the date of grant of RSUs as stated above.
f) Source of shares	Primary
g) Variation in terms of options	Not applicable



4. Method used to account for ESOS – Intrinsic or fair value.

The Company has estimated fair value of RSUs.

5. 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

6. Option movement during the year

Number of options outstanding at the beginning of the period	NA*
Number of options granted during the year	11,92,792
Number of options forfeited / lapsed during the year	12,177
Number of options vested during the year	–
Number of options exercised during the year	–
Number of shares arising as a result of exercise of options	–
Money realized by exercise of options (INR), if scheme is implemented directly by the company	–
Loan repaid by the Trust during the year from exercise price received	NA
Number of options outstanding at the end of the year	11,80,615
Number of options exercisable at the end of the year	–

* RSU Plan 2022 has been implemented during FY 2022-23.

7. Weighted-average exercise price and weighted-average fair value 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.

	Year ended 31 March 2023
Weighted-average exercise price per RSU	₹ 1
Weighted-average fair value per RSU	₹ 367.30

8. Employee wise details (name of employee, designation, number of options granted during the year, exercise price) of options granted to -

- senior managerial personnel as defined under Regulation 16(d) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including Key Managerial Personnel:

Name of employee	Designation	No. of RSUs granted during the year (time based and performance based) Exercise price - ₹ 1 each
Mr. Anuj Jain	Managing Director & CEO (Key Managerial Personnel)	1,13,636
Mr. Prashant Pai	Director – Finance and Chief Financial Officer (Key Managerial Personnel)	39,505
Mr. G. T. Govindarajan	Company Secretary (Key Managerial Personnel)	10,792
Mr. Jason Gonsalves	Director – Corporate Planning, IT & Materials	43,266
Mr. Sudhir Rane	Sr. Vice President – HR & International Operations	32,295
Mr. Abhijit Natoo	Senior Vice President – Manufacturing	39,340
Mr. Rohit Malkani	Sr. Vice President – Decorative Sales & Marketing	45,953
Mr. Amrit Rekhi	Vice President – Industrial Sales	27,103
Mr. Ram Mehrotra	Vice President – Decorative Sales and Marketing	27,475
Mr. Laxman Nikam	Vice President – Technical	24,310

- any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year
Not Applicable
- 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.
Not Applicable

9. A description of the method and significant assumptions used during the year to estimate the fair value of options including the following information:

Method & Model	The fair value of the RSUs are determined using the Black-Scholes Model for RSUs with time based vesting conditions and Monte Carlo Simulation Model is used for RSUs with performance based vesting conditions.
Significant assumptions	
The Weighted average value of share price	₹ 439.25
Exercise price	₹ 1
Expected volatility	32 – 35%
Expected option life	4 – 7 years
Expected dividend yield	0.6%
Risk free interest rate	7.14 – 7.23%
The method used and the assumptions made to incorporate the effects of expected early exercise	Not applicable
How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility.	The expected volatility of the Company's Equity Shares is computed on the basis of the annual volatility of the Company's Equity Shares traded on the Stock Exchanges, by considering the deviations in daily returns of the Equity Shares traded, which is averaged out and then annualized to arrive at the annual volatility of the Company's Equity Shares.
Whether and how any other features of the options granted were incorporated into the measurement of fair value, such as a market condition	For deriving fair value of the RSUs by the Monte Carlo Simulation methodology, multiple simulations related to the Company's financial projections were also considered.