

## 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 no. 46 – Share based payments to the Standalone Financial Statements and Note no. 44 – 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 'Indian Accounting Standard (Ind AS) 33 - 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 no. 37 – Earnings Per Equity Share to the Standalone Financial Statements and Note no. 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	The RSU Plan 2022 was initially approved by the Shareholders on 25th October, 2022. The total number of RSUs granted were adjusted vide resolution for bonus issue on 15th June, 2023.
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 80,83,795 (Eighty lakhs eighty three thousand seven hundred ninety five) RSUs which upon exercise shall be convertible into not more than 80,83,795 (Eighty lakhs eighty three thousand seven hundred ninety five) Equity Shares of face value of ₹ 1 each fully paid-up. Each RSU when exercised would be converted into one Equity Share of ₹ 1 each.  During the financial year 2023-24, the Company approved bonus issue in the ratio 1:2. In terms of the RSU Plan 2022, necessary adjustments had been made by increasing the total number of RSUs to be granted under the RSU Plan 2022 from 53,89,197 (Fifty three lakhs eighty nine thousand one hundred ninety seven) RSUs to 80,83,795 (Eighty lakhs eighty three thousand seven hundred ninety five) RSUs.
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 Nomination and Remuneration Committee ("NRC") 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, NRC 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 the Equity 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

- 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	11,80,615
Number of options granted during the year	7,23,602*
Number of options forfeited / lapsed during the year	81,480
Number of options vested during the year	61,071
Number of options exercised during the year	–
Number of shares arising as a result of exercise of options	–
Money realized by exercise of options (₹), 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	18,22,737
Number of options exercisable at the end of the year	60,784

\* Includes 5,87,590 RSUs granted towards adjustment of bonus issue during financial year 2023-24, in terms of RSU Plan 2022.

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 31st March, 2024
Weighted-average exercise price per RSU	₹ 1
Weighted-average fair value per RSU	₹ 229.68

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 (“KMP”):

Name of employee	Designation	No. of options granted during the year towards adjustment of bonus issue, in terms of RSU Plan 2022 (time based and performance based)	Exercise Price (₹)
Mr. Anuj Jain	Managing Director (KMP)	56,818	1
Mr. P. D. Pai	Director – Finance and Chief Financial Officer (KMP)	19,752	1
Mr. G. T. Govindarajan	Company Secretary (KMP)	5,396	1
Mr. Jason Gonsalves	Director – Corporate Planning, IT & Materials	21,633	1
Mr. Sudhir Rane	Sr. Vice President – HR & International Operations	16,147	1
Mr. Abhijit Natoo	Sr. Vice President – Manufacturing	19,670	1
Mr. Rohit Malkani	Sr. Vice President – Decorative Sales & Marketing	22,976	1
Mr. Amrit Rekhi	Vice President – Industrial Sales	13,551	1
Mr. Laxman Nikam	Vice President – Technical	12,155	1



- **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:**

<b>Method &amp; Model</b>	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.
<b>Significant assumptions</b>	
The Weighted average value of share price	₹ 165.88 - ₹ 431.74
Exercise price	₹ 1
Expected volatility	28.07% - 37.80%
Expected option life	2 - 5 years
Expected dividend yield	0.6%
Risk free interest rate	6.76% - 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.