

Employee Stock Option Schemes

Information to be disclosed under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("the Regulations") with regards to options which are in force as on March 31, 2021.

Employee Stock Option Scheme (ESOS) -2020

There is no change in the scheme as approved by the Shareholders. The Scheme is in compliance with the Regulations as amended from time to time.

A. Relevant disclosures in terms of the 'Guidance note on accounting for employee share-based payments' issued by ICAI or any other relevant accounting standards as prescribed from time to time are provided on the web link: www.careratings.com

B. Diluted EPS on issue of shares in accordance with 'Accounting Standard 20 - Earnings Per Share' issued by ICAI - Rs. 29.08/-

C. Details related to Employee Stock Option Scheme (ESOS).

(i)	A description of ESOS that existed at any time during the year:		
(a)	Date of shareholders' approval	September 8, 2020	
(b)	Total number of options approved under ESOS 2020	5,00,000 to Mr. Ajay Mahajan, MD	3,22,000 to others
(c)	Vesting requirements	1/3 rd on completion of one year from the grant date, 1/3 rd on completion of two years from the grant date, 1/3 rd on completion of three years from the grant date	
(d)	Exercise price or pricing formula	Rs. 340/share	Rs. 416/share
(e)	Maximum term of options granted	5 years	
(f)	Source of shares (primary, secondary or combination)	Primary (Direct allotment)	
(g)	Variation in terms of options	None	
(ii)	Method used to account for ESOS - Intrinsic or fair value:-	Fair Value	
(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.	Not applicable since the company has followed Fair Value method	
(iv)	Option movement during the year:		
	Number of options outstanding at the beginning of the year	NIL	
	Number of options exercisable at the beginning of the year	NIL	
	Number of options forfeited / lapsed during the year	NIL	
	Number of options vested during the year	NIL	
	Number of options exercised during the year	NIL	

	Number of shares arising as a result of exercise of options	NIL		
	Money realized by exercise of options (INR), if scheme is implemented directly by the company	NIL		
	Loan repaid by the Trust during the year from exercise price received	Not Applicable		
	Number of options outstanding at the end of the year	8,22,000		
	Number of options exercisable at the end of the year	NIL		
(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	Weighted Average Exercise price Rs. 340/share	Weighted Average Exercise price Rs. 416/share	
		Weighted Average Fair Value Rs. 130.21/share	Weighted Average Fair Value Rs. 280.80/share	
(vi)	Employee wise details (name of employee, designation, number of options granted during the year, exercise price) of options granted to – (a) 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.	Refer Note 1 below		
		NIL		
		NIL		
(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)	weighted-average share price exercise price expected volatility Option life (Comprising vesting period +exercise period) (In Years) expected dividends, risk-free interest rate	Rs. 340/share 54.36% 3 years 0.95% (yield) 4.29% - 5.06%	Rs. 416/share 60.25% 3 years 0.97% (yield) 4.01% - 4.89%	
(b)	the method used and the assumptions made to incorporate the effects of expected early exercise;	1/3rd of the option will vest on completion of one year from the grant date, 1/3rd on completion of two years from the grant date 1/3rd on completion of three years from the grant date and exercise period is 2 years from the vesting date, hence the average exercise period is calculated as follows:		
		Grant Date/ Valuation date	Vesting	Exercise period
				Time to maturity (years)

		October 13, 2020	Oct 12, 2021 (for 1/3 rd) Oct 12, 2022 (for 1/3 rd) Oct 12, 2023 (for 1/3 rd)	October 11, 2023 October 11, 2024 October 11, 2025	5 years
		December 1, 2020	Nov 30, 2021 (for 1/3 rd) Nov 30, 2022 (for 1/3 rd) Nov 30, 2023 (for 1/3 rd)	November 29, 2023 November 29, 2024 November 29, 2025	5 years
(c)	how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and	CARE ratings Limited being a listed company, the annual volatility of the stock price for the period			
		October 13, 2019 to October 12, 2020 is 54.36%		December 1, 2019 to November 30, 2020 is 60.25%	
(d)	Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.	The methodology followed is Black Scholes model			

Note 1

Employee wise details of options granted to Senior Management Personnel (KMP):

<i>Name</i>	<i>Designation</i>	<i>Number of options granted under ESOS 2020</i>	<i>Exercise Price of options Rs. (per share)</i>
Mr. Ajay Mahajan	MD & CEO	5,00,000	Rs. 340/-
Mr. Mehul Pandya	Executive Director	20,000	Rs. 416/-

Information to be disclosed under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (“the Regulations”) with regards to options which are in force as on March 31, 2021.

Employee Stock Option Scheme (ESOS) ESOS 2013 – Tranche 2

There is no change in the scheme as approved by the Shareholders. The Scheme is in compliance with the Regulations as amended from time to time.

A. Relevant disclosures in terms of the ‘Guidance note on accounting for employee share-based payments’ issued by ICAI or any other relevant accounting standards as prescribed from time to time are provided on the web link: www.careratings.com

B. Diluted EPS on issue of shares in accordance with ‘Ind AS 33 - Earnings Per Share’ issued by ICAI :- Rs. 29.08.

C. Details related to Employee Stock Option Scheme (ESOS) -Tranche II

(i)	A description of ESOS that existed at any time during the year:	
(a)	Date of shareholders’ approval	September 27, 2013
(b)	Total number of options approved under ESOS	1,000,000
(c)	Vesting requirements	2 years from the date of grant i.e., September 01, 2017
(d)	Exercise price or pricing formula	Rs. 1,139 per share
(e)	Maximum term of options granted	3 years
(f)	Source of shares (primary, secondary or combination)	Primary (Direct allotment)
(g)	Variation in terms of options	NIL
(ii)	Method used to account for ESOS - Intrinsic or fair value:-	Fair Value
(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.	Not applicable since the company has followed Fair Value method
(iv)	Option movement during the year:	
	Number of options outstanding at the beginning of the year	415,620
	Number of options exercisable at the beginning of the year	NIL
	Number of options forfeited / lapsed during the year	43,115
	Number of options vested during the year	NIL
	Number of options exercised during the year	NIL
	Number of shares arising as a result of exercise of options	NIL
	Money realized by exercise of options (INR), if scheme is implemented directly by the company	NIL

	Loan repaid by the Trust during the year from exercise price received	Not Applicable		
	Number of options outstanding at the end of the year	3,72,505		
	Number of options exercisable at the end of the year	NIL		
(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 Price Rs. 1,139/- per share. Weighted-Aver- age Fair Values Rs.565.79/- per share.		
(vi)	Employee wise details (name of employee, designation, number of options granted during the year, exercise price) of options granted to – (a) 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.	Refer Note 1 below NIL NIL		
(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)	weighted-average share price (₹) exercise price (₹) expected volatility Option life (Comprising vesting period + Exercise period) (in years) expected dividends, risk-free interest rate	Rs 1139/- 31.80% 3 years 1.86% (yield) 6.39%		
(b)	the method used and the assumptions made to incorporate the effects of expected early exercise;	The options will vest in 2 years after grant and exercise period is for 2 years from the date of vesting, hence the average exercise period is calculated as follows		
		Grant Date/ Valuation date	Vesting	Exercise period
		September 01,2017	September 01,2019	September 01,2020
				Time to maturity (years) 3 years
(c)	how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and	CARE Ratings Limited being a listed company, the annual volatility of the stock price for the period September 2, 2016 to September 1, 2017 which is 31.80%.		
(d)	Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.	The methodology followed is Black Scholes model		

Note 1**Employee wise details of options granted to Senior Management Personnel (KMP)**

<i>Name</i>	<i>Designation</i>	<i>Number of options granted under ESOS 2013 – Tranche 2</i>	<i>Exercise Price of options Rs. Per share</i>
T N Arunkumar*	Executive Director	28185	Rs. 1139/-
Mehul Pandya	Executive Director	28185	Rs. 1139/-

* Resigned from active service since February 28, 2021.