

ANNEXURE (A) TO DIRECTORS' REPORT

DISCLOSURES PURSUANT TO REGULATION 14 OF THE SEBI (SHARE BASED EMPLOYEE BENEFITS AND SWEAT EQUITY) REGULATIONS, 2021 ("SBEB & SE REGULATIONS") READ WITH PART F OF SCHEDULE I OF SBEB & SE REGULATIONS

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

Please refer to **Note No. 56** to the Standalone Financial Statements for FY24, which forms part of this Annual Report.

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 Central Government or any other relevant accounting standards as issued from time to time:

₹2.19 (Rupee Two and Paise Nineteen only) as on March 31, 2024.

C. Details related to Employee Stock Options (Options/ESOs) and Restricted Stock Units (RSUs):

(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: August 26, 2017

(b) Total number of Options approved under ESOs and RSUs:

S. No.	Particulars	No. of Options/RSUs
1.	Employee Stock Options	1,00,00,000
2.	Restricted Stock Units	1,00,00,000

(c) Vesting requirements of ESOs and RSUs: The Vesting conditions in respect of the Options and RSUs granted under the Employee Stock Option Plan shall be as determined by the Nomination, Remuneration and Compensation Committee ("**the Committee**") from time to time. Upon commencement of this Plan, subject to terms and conditions of this Plan, the Options and RSUs granted to Eligible Employees shall Vest as per the schedule ("**Vesting Schedule**") determined by the Committee at the time of grant but the Vesting Schedule shall not be less than one year and not more than five years from the date of grant of Options and RSUs as the case may be. At the stage of determining the grant, the Committee may or

may not consider performance based vesting of the Options.

ESOs:

% Options to be Vested	Year
40% of the Options granted	End of the 1st year from the date of grant
30% of the Options granted	End of the 2nd year from the date of grant
30% of the Options granted	End of the 3rd year from the date of grant

***RSUs:**

% RSUs to be Vested	Year
70% of the RSUs granted	End of the 3rd year from the date of grant
30% of the RSUs granted	End of the 4th year from the date of grant

* Since the performance conditions of RSUs were not met and hence RSUs have not vested to any of its Grantees. The Nomination, Remuneration and Compensation Committee at its meeting held on April 23, 2022 decided to cancel all the RSUs.

(d) Exercise price or pricing formula for ESOs and RSUs:

Options were granted at a price of ₹20.65/- per equity share, i.e., the closing market price of the shares of the Company on the NSE immediately prior to the date of grant i.e., October 15, 2018.

RSUs were granted at a price of ₹1/- per equity share.

(e) Maximum term of Options/RSUs granted:

Not more than five years from the date of grant of Options/RSUs.

(f) Source of shares (primary, secondary or combination):

Primary.

(g) Variation in terms of Options/RSUs:

Not Applicable.

(ii) Method used to account for ESOs/RSUs- Intrinsic or Fair Value:

Fair Value Method.



- (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 recognised 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) Options/ RSUs movement during the year:

Particulars	ESOs	RSUs*
Number of Options/RSUs outstanding at the beginning of the period	15,29,200	NIL
Number of Options/RSUs granted during the year	NIL	NIL
Number of Options/RSUs forfeited/lapsed/cancelled during the year	NIL	NIL
Number of Options/RSUs vested during the year	NIL	NIL
Number of Options/RSUs exercised during the year	4,63,400	NIL
Number of shares arising as a result of exercise of Options/RSUs	4,63,400	NIL
Money realised by exercise of Options/RSUs (₹), if scheme is implemented directly by the Company	NIL	NIL
Loan repaid by the Trust during the year from exercise price received (₹)	1,35,00,000	NIL
Number of Options/RSUs outstanding at the end of the year	10,65,800	NIL
Number of Options/RSUs exercisable at the end of the year	10,65,800	NIL

* Since the performance conditions of RSUs were not met and hence RSUs have not vested to any of its Grantees. The Nomination, Remuneration and Compensation Committee at its meeting held on April 23, 2022 decided to cancel all the RSUs.

- (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:

Particulars	(Amount in ₹)	
	ESOs	RSUs*
Weighted average exercise price	20.65	1.00
Weighted average fair value as on grant date	11.04	19.74

* Since the performance conditions of RSUs were not met and hence RSUs have not vested to any of its Grantees. The Nomination, Remuneration and Compensation Committee at its meeting held on April 23, 2022 decided to cancel all the RSUs.

- (vi) Employee wise details (name of employee, designation, number of Options/RSUs granted during the year, exercise price) of Options/RSU's granted to:

(a) **Senior managerial personnel:** During the financial year ended March 31, 2024 no further Options/RSUs have been granted by the Company pursuant to HFCL 2017 Scheme.

(b) **Any other employee who receives a grant in any one year of Option amounting to 5% more of Options granted during that year:** Not Applicable

- (c) **Identified employees who were granted Options/RSUs, 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

- (vii) A description of the method and significant assumptions used during the year to estimate the fair value of Options and RSUs:

- (a) The fair value of each equity-settled award is estimated on the date of grant using the Black-Scholes model with the following assumptions:

Particulars	For Grants made during the year ended March 31, 2024
	ESOs
Weighted average share price (₹)	20.65
Exercise price (₹)	20.65
Expected volatility	56.4% to 59.1%
Expected life of the Options (years)	3.50 to 5.50
Expected dividends	0.23%
Risk-free interest rate	7.81% to 7.89%
Weighted average fair value as on grant date (₹)	11.04

- (b) **The method used and the assumptions made to incorporate the effects of expected early exercise, how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and whether and how any other features of the Options grant were incorporated into the measurement of fair value, such as a market condition.**

The expected life of the ESOs is estimated based on the vesting term and contractual term of the ESOs as well as expected exercise behaviour of the employee who receives the ESOs. Expected volatility during the expected term of the ESOs is based on historical volatility of the observed market prices of the Company's publicly traded equity shares during a period equivalent to the expected term of the ESOs.

- (viii) **Disclosures in respect of grants made in three years prior to IPO under each ESOs/RSUs:**

Until all Options/RSUs granted in the three years prior to the IPO have been exercised or have lapsed, disclosures of the information specified above in respect of such Options/RSUs shall also be made:
Not Applicable.

Details related to Employee Stock Purchase Scheme (ESPS):

- (i) **The following details on each ESPS under which allotments were made during the year:**

- a. Date of shareholders' approval: August 26, 2017
- b. Number of shares issued: NIL
- c. The price at which such shares are issued: NIL
- d. Lock-in period: Not Applicable

- (ii) **The following details regarding allotment made under each ESPS, as at the end of the year:**

Particulars	Details
The details of the number of shares issued under ESPS	NIL
The price at which such shares are issued	Not Applicable
Employee-wise details of the shares issued to;	
(i) senior managerial personnel;	NIL
(ii) any other employee who is issued shares in any one year amounting to 5% or more shares issued during that year;	NIL

Particulars	Details
(iii) identified employees who were issued shares during any one year equal to or exceeding 1% of the issued capital of the Company at the time of issuance;	NIL
(iv) Consideration received against the issuance of shares, if scheme is implemented directly by the Company	NIL
(v) Loan repaid by the Trust during the year from exercise price received	NIL

Details related to Trust:

The following details, inter-alia, in connection with transactions made by the Trust meant for the purpose of administering the schemes under the Regulations are to be disclosed:

- (i) **General information on all schemes:**

S. No.	Particulars	Details
a.	Name of the Trust	HFCL Employees' Trust
b.	Details of the Trustee(s)	(i) Mr. Brij Behari Tandon (ii) Mr. Pankaj Jain
c.	Amount of loan disbursed by Company/ any Company in the group, during the year	NIL
d.	Amount of loan outstanding as at the end of the year (repayable to Company/ any company in the group)	₹2,06,38,460/-
e.	Amount of loan, if any, taken from any other source for which Company/any company in the group has provided any security or guarantee	NIL
f.	Any other contribution made to the Trust during the year	NIL

**(ii) Brief details of transactions in shares by the Trust:**

S. No.	Particulars	Details
(a)	Number of shares held at the beginning of the year	13,82,200
(b)	Number of shares acquired during the year through (i) primary issuance (ii) secondary acquisition, also as a percentage of paid up equity capital as at the end of the previous financial year, along with information on weighted average cost of acquisition per share	NIL
(c)	Number of shares transferred to the employees/sold along with the purpose thereof	4,63,400
(d)	Number of shares held at the end of the year	9,18,800

It is informed that the Nomination, Remuneration and Compensation Committee in its meeting held on April 23, 2022, waived off the conditions of achieving Composite Performance Score of 70% for the third year of the Scheme i.e., for FY21 as well and accordingly, all the eligible employees have right to exercise their remaining 30% of ESOPs. Further, since the performance conditions of RSUs have not been met and Nomination, Remuneration and Compensation Committee has also not relaxed any of the performance conditions, RSUs stands cancelled.

The details as required to be disclosed under the SBEB & SE Regulations can be accessed at the weblink: [https://www.hfcl.com/wp-content/uploads/2023/09/Disclosure-SEBI-\(SBEB&SE\)-Regulations-2021.pdf](https://www.hfcl.com/wp-content/uploads/2023/09/Disclosure-SEBI-(SBEB&SE)-Regulations-2021.pdf)

(iii) In case of secondary acquisition of shares by the Trust:

Number of shares	As a percentage of paid-up equity capital as at the end of the year immediately preceding the year in which shareholders' approval was obtained
Held at the beginning of the year	NIL
Acquired during the year	NIL
Sold during the year	NIL
Transferred to the employees during the year	NIL
Held at the end of the year	NIL