

MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED

DISCLOSURE UNDER REGULATION 14 OF SECURITIES AND EXCHANGE BOARD OF INDIA (SHARE BASED EMPLOYEE BENEFITS) REGULATIONS, 2014 FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

A. 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:

The relevant disclosures are given in the Note No. 3 of the notes to standalone financial statements 2015-2016.

B. Diluted EPS on issue of shares pursuant to all the schemes covered under 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:

The diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with AS-20 is Rs.11.22 (Consolidated) and Rs.13.29 (Standalone).

C. Details related to ESOS

- (i) A description of each ESOS that existed at any time during the year, including the general terms and conditions of each ESOS, including –

Particulars	MHRIL ESOS 2006	MHRIL ESOS 2014
Date of shareholders' approval	May 17, 2006 and December 23, 2009	December 26, 2014
Total number of options approved under ESOS	14,00,010	20,00,000
Vesting requirements	Vesting of options may commence after a period of not less than one year from the date of grant. The vesting may occur in one or more tranches, subject to terms and conditions of vesting, as may be stipulated by the Nomination and Remuneration Committee in its sole discretion	
Exercise price or pricing formula	The price determined by the Nominations & Remuneration Committee of Directors from time to time in accordance with the notifications, Guidelines and clarifications issued by SEBI or any other statutory authority from time to time as applicable.	
Maximum term of options granted	Upto five years from date of grant of options, unless otherwise decided by the Nomination and Remuneration Committee.	
Source of shares (primary, secondary or combination)	Primary	
Variation in terms of options	MHRIL ESOS 2006 was formulated prior to the Initial Public Offering (IPO) of the Company and was ratified by the Company subsequent to IPO on December 23, 2009 by seeking the consent of shareholders through Postal Ballot and accordingly the scheme has been modified.	Not Applicable

- (ii) Method used to account for ESOS:

The Company has calculated the employee compensation cost using the intrinsic value of stock options.

- (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:

Had the fair value method been used, in respect of stock options granted, the employee compensation cost would have been higher by Rs.214.71 lakh, Profit after tax lower by Rs.214.71 lakh and the basic and diluted earnings per share would have been lower by Rs.0.24.

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

Particulars	MHRIL ESOS 2006	MHRIL ESOS 2014
Number of options outstanding at the beginning of the year	497,222	620,000
Number of options granted during the year	Nil	310,000
Number of options forfeited / lapsed during the year	50,298	Nil
Number of options vested during the year	39,375	155,000
Number of options exercised during the year	32,167	Nil
Number of shares arising as a result of exercise of options	32,167	Nil
Money realized by exercise of options (INR), if scheme is implemented directly by the company	Nil	Nil
Loan repaid by the Trust during the year from exercise price received	Loan of Rs. 160 lakh was repaid to the Company during the year, of which Rs.130 lakh was repaid from the amount received on exercise of options under the MHRIL ESOS 2006 Schemes and an amount of Rs. 30 lakhs was paid out of dividend received from the Company.	
Number of options outstanding at the end of the year	414,757	930,000
Number of options exercisable at the end of the year	382,257	155,000

- (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:

MHRIL ESOS 2014		
Options Grant Date	Exercise Price (Rs.)	Fair Value (Rs.)
October 27, 2015	365.00	158.85
February 18, 2016	370.00	126.91

- (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:

Names & Designation	No. of Options Granted	Date of Grant
Mr. Oneel Verma, Chief Sales Officer	40,000	October 27, 2015
Mr. Pratik Roy, Chief Human Resource Officer	40,000	
Mr. Prashant Khullar, Vice President – HR (Learning and Development)	30,000	
Mr. Arun Kumar Nanda, Non-Executive Non Independent Director	2,00,000	February 18, 2016

- (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:

None of the employees were granted 5% or more of the options granted during the year.

- (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:

None of the identified employees were granted options equal to or exceeding 1% of the issued capital during the year.

- (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) the weighted-average values of share price, exercise price, expected volatility, expected option life, expected dividends, the risk-free interest rate and any other inputs to the model:

The fair value of the stock options have been calculated using Black Scholes Options Pricing Model and the significant assumptions made in this regard are as follows:

MHRIL ESOS 2014	Weighted-average values of share price	Exercise Price	expected volatility	Expected life	expected dividends	risk-free interest rate
Grant dated October 27, 2015	Rs.158.85	Rs. 365/-	0.30	3.50	1.01%	7.52%
Grant dated February 18, 2016	Rs.126.91	Rs. 370/-	0.30	3.50	1.15%	7.51%

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

The fair value of each grant has been determined based on different expected lives of the options that vest each year, as it would be, if the grants were viewed as several separate grants each with a different vesting date. A weighted average of the vests has been calculated to arrive at the values of the options granted under the scheme.

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

Volatility is the measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in the Black-Scholes options pricing model is

the annualized standard deviation of the continuously compounded rates of return on the stock over a period of time. For calculating volatility, the daily volatility of the stock prices on the National Stock Exchange of India Limited, over a period prior to the date of grant, corresponding with the expected life of the options has been considered.

- (d) whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition:

Besides key assumptions stated above, no other features of the options grant were considered while measuring the fair value.

D. Disclosures in respect of grants made in three years prior to IPO under each ESOS

Until all options 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 shall also be made:

- (a) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year:

3170 options were granted to Mr. Hemant Luthra, an employee of the holding company, on November 1, 2007 at an Exercise price of Rs.52/- per option out of which 793 options are outstanding as on March 31, 2016. These options were granted, based on the valuation done by an independent Chartered Accountant using Discounted Cash Flow Method.

- (b) A description of the method and significant assumptions used during the year to estimate the fair value of options including the weighted-average values of share price, exercise price, expected volatility, expected option life, expected dividends, the risk-free interest rate and any other inputs to the model:

MHRIL ESOS 2006	Weighted-average values of share price	Exercise Price	expected volatility	Expected life	expected dividends	risk-free interest rate
Grant dated November 1, 2007	Rs.16.55	Rs. 52/-	Nil	5.00	Nil	7.72%

E. 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

Sl. No.	Particulars	Details
1	Name of the Trust	Mahindra Holidays & Resorts India Limited Employee Stock Option Trust
2	Details of the Trustee(s)	Mr. Rohit Mallik Mr. Abhash Mishra Mr. Naveen Maheshwari Mr. Subhash Kelkar Mr. Prashant Khullar

3	Amount of loan disbursed by company / any company in the group, during the year	Nil
4	Amount of loan outstanding (repayable to company / any company in the group) as at the end of the year	Rs. 10,90,00,000/- as on March 31, 2016 payable to the Company.
5	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
6	Any other contribution made to the Trust during the year	Nil

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

Number of shares held at the beginning of the year;	7,54,605 equity shares of Rs.10/- each of the Company
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 Nil
Number of shares transferred to the employees / sold along with the purpose thereof;	32,167 equity shares of Rs.10/- each of the Company transferred to the employees pursuant to exercise of stock option.
Number of shares held at the end of the year	7,22,438 equity shares of Rs.10/- each of the Company

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