



## ADITYA BIRLA FASHION AND RETAIL LIMITED

### **Disclosure pursuant to regulation 14 of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 as on March 31, 2019**

As on the date of this report, the Company has implemented 2 (*two*) Employee Stock Option Schemes as given below:

1. Employee Stock Option Scheme - 2013 (*"Scheme 2013"*); and
2. Aditya Birla Fashion and Retail Limited Employee Stock Option Scheme 2017 (*"Scheme 2017"*).

#### **Scheme 2013:**

Company has implemented a Scheme 2013 pursuant to the approval of the members of the Company by virtue of a special resolution passed at the Sixth Annual General Meeting (*"AGM"*) of the Company held on August 23, 2013. Scheme 2013 was formulated in accordance with the provisions of the then prevailing Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (*"SEBI Guidelines"*), since amended and repealed by Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (*"SEBI SBEB Regulations"*). In order to bring the Scheme 2013 in compliance with the provisions of Companies Act, 2013 read with applicable rules made thereunder including Companies (Share Capital and Debenture) Rules, 2014 (*"Act"*) and the SEBI SBEB Regulations, Scheme 2013 has been revised by the Nomination and Remuneration Committee of the Board of Directors (*"NRC"*) vide its Circular Resolution dated October 27, 2015.

The NRC (*then named as ESOP Compensation Committee*) has, vide its resolutions dated October 25, 2013 (*"Tranche 1"*) and June 10, 2014 (*"Tranche 2"*), granted 'Options' and 'Restricted Stock Units' (*"RSUs"*) (*hereinafter collectively referred to as "stock options"*) to the eligible employees of the Company, in terms of the Scheme 2013. Also, pursuant to the effectiveness of Composite Scheme of Arrangement amongst the Company, Aditya Birla Nuvo Limited, Madura Garments Lifestyle Retail Company Limited and their respective shareholders and creditors, under sections 391 to 394 of the Companies Act, 1956 (*"Composite Scheme"*) and for the benefit of all such eligible employees who became employees of the Company consequent to effectiveness of the Composite Scheme, NRC, vide its Circular Resolution dated May 11, 2016 (*"Tranche 3"*), granted RSUs to such eligible employees, in terms of the Scheme 2013.



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Further, the Company has also formulated a plan for granting 'Stock Appreciation Rights' of the Company ("SARs") known as 'Stock Appreciation Rights Plan - 2013' ("Plan 2013"), which was approved by the NRC at its meeting held on October 25, 2013. Subsequently, NRC has, vide its resolution dated October 25, 2013 ("Tranche 1") and June 10, 2014 ("Tranche 2"), also granted SARs to the eligible employees of the Company, in terms of the Plan 2013. The Plan 2013 does not give rise to any right towards any equity share of the Company and hence, it is not covered under the provisions of the SEBI SBEB Regulations.

### **Scheme 2017:**

During the previous financial year i.e. FY 2017-18, pursuant to the approval of the members of the Company by virtue of a special resolution passed at the Tenth AGM of the Company held on August 23, 2017, the NRC, at its meeting held on September 8, 2017, instituted and implemented Scheme 2017, in accordance with the provisions of SEBI SBEB Regulations.

In terms of the Scheme 2017, the NRC has, vide its resolutions dated September 8, 2017, October 27, 2017, February 2, 2018 and April 18, 2018, granted stock options to the eligible employees of the Company under various tranches from time to time.

The NRC, in terms of the approval granted by the members of the Company *inter alia* administers, implements and monitors the Scheme 2013 and Scheme 2017, governing the grant of share based benefits to the employees in the form of stock options and in terms of the approval granted by the Board *inter alia* administers, implements and monitors the Plan 2013 and SAR Scheme 2019, governing the grant of SARs to the employees.

Accordingly, the disclosures pertaining to stock options granted by the Company under the aforesaid Schemes and as required under the applicable provisions of the Act and the SEBI SBEB Regulations, along with similar disclosures pertaining to SARs granted as aforesaid (*though not necessitated by the applicable provisions*) are provided herein below:



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**A. Relevant disclosures in terms of the 'Guidance note on accounting for employee share-based payments' issued by Institute of Chartered Accountants of India ("ICAI") or any other relevant accounting standards as prescribed from time to time.**

The disclosures are provided in the note 43 to the financial statements of the Company for the year ended March 31, 2019.

**B. Diluted EPS on issue of shares pursuant to all the schemes covered under the regulations, in accordance with 'Indian Accounting Standard 20 - Earnings Per Share' issued by ICAI or any other relevant accounting standards as prescribed from time to time.**

₹ 4.15 per share.

**C. (i) Details related to Scheme 2013 and Plan 2013 of the Company:**

Sr. no.	Particulars	Scheme 2013					Plan 2013	
		Options		RSUs			SARs	
		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2
<b>(i)</b>	<b>Description of the Scheme/ Plan that existed at any time during the year, including the general terms and conditions</b>							
	(a) Date of shareholder's approval	August 23, 2013					N.A.	
	(b) Total number of options/ RSUs/ SARs approved	17,68,300					N.A.	
	(c) Vesting requirements	1) Options and SARs granted, will vest not earlier than 1 ( <i>one</i> ) year and not more than 5 ( <i>five</i> ) years from the date of grant, at the rate of 25% of the options and SARs getting vested each year. 2) RSUs granted shall vest at the end of 3 ( <i>three</i> ) years from the grant date. However, RSUs granted under Tranche 3, pursuant to the Composite Scheme, were vested as per the original vesting schedule i.e. 3 ( <i>three</i> ) years from the date of original grant by ABNL. Further, the vesting is subject to meeting of the performance conditions fixed by the NRC, from time to time.						



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Sr. no.	Particulars	Scheme 2013					Plan 2013	
		Options		RSUs			SARs	
		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2
	(d) i. Exercise price	₹ 102.10	₹ 118.20	₹ 10	₹ 10	₹ 10	₹ 102.10	₹ 118.20
	(d) ii. Pricing formula	<p><b>Options and SARs:</b>  <b>Tranche 1</b> - The closing price of the equity shares of the Company on National Stock Exchange of India Limited ("NSE") on October 24, 2013 (a day prior to the grant date) was fixed as the exercise price for each option and SAR.  <b>Tranche 2</b> - The closing price of the equity shares of the Company on NSE on June 9, 2014 (a day prior to the grant date) was fixed as the exercise price for each option and SAR.</p> <p><b>RSUs:</b>  The face value of the equity shares of the Company was fixed as the exercise price for each RSU, granted under Tranche 1, 2 and 3.</p>						
	(e) Maximum term	Term of the options and RSUs is treated to begin only after the same are vested in the grantee. Accordingly, the maximum term of options and RSUs will be 5 (five) years from the date of vesting. Whereas, the maximum term of SARs will be 3 (three) years from the date of vesting or within 6 (six) years from the date of grant, whichever is earlier.						
	(f) Source of shares	Primary					N.A.	
	(g) Variation in terms	NIL						
(ii)	<b>Method used to account for Intrinsic or fair value</b>	Company has calculated the employee compensation cost using the Fair Value Method of accounting to account for options, RSUs, SARs issued.						
(iii)	<b>As the company has opted for expensing of the options using the fair value of the options, RSUs and SARs</b>							



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Sr. no.	Particulars	Scheme 2013					Plan 2013	
		Options		RSUs			SARs	
		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2
	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	N.A.						
	The impact of this difference on profits and on EPS of the Company							
<b>(iv)</b>	<b>Movement during the year</b>							
	Number of options, RSUs and SARs outstanding at the beginning of the period	1,42,087	5,843	2,627	-	60,600	47,409	10,225
	Number of Options, RSUs and SARs granted during the year	-	-	-	-	-	-	-
	Number of Options, RSUs and SARs forfeited/ lapsed during the year	-	5,843	-	-	-	2,557	10,225
	Number of options, RSUs and SARs vested during the year	-	-	-	-	-	-	-
	Number of options, RSUs and SARs exercised during the year	5,843	-	-	-	22,760	34,239	-
	Number of shares arising as a result of exercise of options, RSUs and SARs	5,843	-	-	-	22,760	N.A.	



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Sr. no.	Particulars	Scheme 2013					Plan 2013		
		Options		RSUs			SARs		
		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2	
	Money realized by exercise of options, RSUs and SARs (INR), if Scheme is implemented directly by the Company	N.A.							
	Loan repaid by the Trust during the year from exercise price received	N.A.							
	Number of options, RSUs and SARs outstanding at the end of the year	1,36,244	-	2,627	-	37,840	10,613	-	
	Number of Options, RSUs and SARs exercisable at the end of the year	1,36,244	-	2,627	-	37,840	10,613	-	
<b>(v)</b>	<b>Weighted-average exercise prices ("WAEP") and weighted-average fair values ("WAFV") of options, RSUs &amp; SARs</b>								
	Where exercise price is less than the market price of the stock	N.A.		WAEP = ₹ 10  WAFV = ₹ 95.90	WAEP = ₹ 10  WAFV = ₹ 111.75	WAEP = ₹ 10  WAFV = ₹ 142.63	N.A.		
	Where exercise price equals the market price of the stock	WAEP = ₹ 102.10  WAFV = ₹ 52.96	WAEP = ₹ 118.20  WAFV = ₹ 59.32	N.A.			WAEP = ₹ 102.10  WAFV = ₹ 102.10	WAEP = ₹ 118.20  WAFV = NIL	
	Where exercise price is more than the market price of the stock	N.A.							



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Sr. no.	Particulars	Scheme 2013					Plan 2013	
		Options		RSUs			SARs	
		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2
<b>(vi)</b>	<b>Employee wise details</b> (name of employee, designation, number of options, RSUs & SARs granted during the year, exercise price) <b>of options, RSUs &amp; SARs granted to</b>							
(a)	Senior Managerial Personnel - <b>NIL</b>							
(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 - <b>NIL</b>							
(c)	Identified employee 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 - <b>NIL</b>							
<b>(vii)</b>	<b>A description of the method and significant assumptions used during the year to estimate the fair value of options, RSUs &amp; SARs including the following information</b>	<p>The fair value of options &amp; RSUs needs to be considered as on the grant date and of SARs needs to be considered at the end of the reporting period.</p> <p>The Company has used Black Scholes model to arrive at the fair value of the options, RSUs and SARs. Significant assumptions used to estimate the fair value are as follows:</p> <p>i) Expected dividend yield;</p> <p>ii) Expected volatility; and</p> <p>iii) Risk-free interest Rate.</p> <p><i>Note: Expected volatility of the Company's stock price is based on the Company's comparable peer group's stock on NSE based on the price data of the last three years upto the date of grant as the Company was listed for a few months prior to the date of grant.</i></p>						
(a)	The weighted-average values of share price	₹ 150.95		₹ 150.95			₹ 102.10	NIL
	Exercise price	₹ 102.10	₹ 118.20	₹ 10	₹ 10	₹ 10	₹ 102.10	₹ 118.20
	Expected volatility	45.93%	44.77%	45.93%	44.77%	37.41%	27.50%	-
	Expected life	Period upto the vesting date + Average of the exercise period corresponding to each vesting						



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Sr. no.	Particulars	Scheme 2013					Plan 2013	
		Options		RSUs			SARs	
		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2
	Expected dividends	NIL						
	Risk-free interest rate	8.58%	7.91%	8.58%	7.91%	7.37%	6.78%	-
	Any other inputs to the model	N.A.						
(b)	The method used and assumptions made to incorporate the effects of expected early exercise	Not applicable, as the Scheme does not provide for early exercise.						
(c)	How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and	<p>Expected volatility of the Company's stock price is based on the comparable peer company's stock price on NSE, based on the price data of the last 3 (<i>three</i>) years upto the date of grant as the Company was listed only for a few months prior to the date of grant.</p> <p>The expected volatility reflects the assumptions that the historical volatility over a period similar to the life options, RSUs or SARs is indicative of future trends, which may not necessarily be the actual outcome.</p>						
(d)	Whether and how any other features of the Options, RSUs and SARs grant were incorporated into the measurement of fair value, such as a market condition	<p>Following factors have been considered: -</p> <ul style="list-style-type: none"> <li>i. The closing price of the Company's share on NSE on the date previous to the grant date.</li> <li>ii. In view of accumulated losses of previous years, the Company has not declared any dividend. Accordingly, no adjustment is made to the aforesaid closing price for the expected dividend yield over the expected life of the Options, RSUs and SARs.</li> <li>iii. Yield of Subsidiary General Ledger ("<i>SGL</i>") transactions in government dated securities (<i>i.e. Government securities issued by RBI on behalf of Government of India in dematerialized form</i>) for various maturities representing the risk-free interest rate.</li> </ul>						





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Sr. no.	Particulars	Scheme 2013					Plan 2013	
		Options		RSUs			SARs	
		Tranche 1	Tranche 2	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2
		iv. The expected life of the Options, RSUs and SARs is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. v. The expected volatility reflects the assumptions that the historical volatility over a period similar to the life Options, RSUs or SARs is indicative of future trends, which may not necessarily be the actual outcome. vi. Option, RSU & SAR exercise price for each Tranche.						

**C. (ii) Details related to Scheme 2017 of the Company**

Sr. No.	Particulars	Scheme 2017							
		Options				RSUs			
		Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 1	Tranche 2	Tranche 3	Tranche 4
(i)	<b>Description of the Scheme, Plan that existed at any time during the year, including the general terms and conditions</b>								
	(a) Date of shareholder's approval	August 23, 2017							
	(b) Total number of options/RSUs approved	1,15,73,960							
	(c) Vesting requirements	(i) Options granted, will vest not earlier than one year, within a period of 6 ( <i>six</i> ) years from the grant date, at the rate of 25% of the options getting vested each year. (ii) RSUs granted shall vest at the end of 3 ( <i>three</i> ) years from the grant date. Further, vesting is subject to meeting of the performance conditions fixed by the NRC, from time to time.							
	(h) i. Exercise price	₹ 178.30	₹ 148.10	₹ 163.60	₹ 150.80	₹ 10	₹ 10	₹ 10	₹ 10



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Sr. No.	Particulars	Scheme 2017							
		Options				RSUs			
		Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 1	Tranche 2	Tranche 3	Tranche 4
	(d) ii. Pricing formula	<p><b>Options:</b></p> <p><u>Tranche 1</u> - The closing price of the equity shares of the Company on NSE on September 7, 2017 (a day prior to the grant date) was fixed as the exercise price for each option.</p> <p><u>Tranche 2</u> - The closing price of the equity shares of the Company on NSE on October 26, 2017 (a day prior to the grant date) was fixed as the exercise price for each option.</p> <p><u>Tranche 3</u> - The closing price of the equity shares of the Company on NSE on February 1, 2018 (a day prior to the grant date) was fixed as the exercise price for each option.</p> <p><u>Tranche 4</u> - The closing price of the equity shares of the Company on NSE on April 17, 2018 (a day prior to the grant date) was fixed as the exercise price for each option.</p> <p><b>RSUs:</b></p> <p>The face value of the equity shares of the Company was fixed as the exercise price for each RSU.</p>							
	(i) Maximum term	Term of the options and RSUs is treated to begin only after the same are vested unto the Grantee. Accordingly, the maximum term of options and RSUs will be 5 (five) years from the date of vesting.							
	(j) Source of shares	Primary							
	(k) Variation in terms	NIL							
<b>(ii)</b>	<b>Method used to account for Intrinsic or fair value</b>	Company has calculated the employee compensation cost using the Fair Value Method of accounting to account for options and RSUs issued.							



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Sr. No.	Particulars	Scheme 2017							
		Options				RSUs			
		Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 1	Tranche 2	Tranche 3	Tranche 4
(iii)	<b>As the company has opted for expensing of the options using the fair value of the options and RSUs</b>								
	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	N.A.							
	The impact of this difference on profits and on EPS of the Company								
(iv)	<b>Movement during the year</b>								
	Number of Options and RSUs outstanding at the beginning of the period	34,63,187	14,406	2,88,122	-	12,11,842	14,568	17,144	-
	Number of Options and RSUs granted during the year	-	-	-	90,039	-	-	-	30,349
	Number of Options and RSUs forfeited/ lapsed during the year	4,36,460	7,203	36,015	-	1,57,205	7,284	32,166	-
	Number of Options and RSUs vested during the year	8,00,195	1,801	63,028	-	-	-	-	-
	Number of Options and RSUs exercised during the year	46,483	-	-	-	-	-	-	-
	Number of shares arising as a result of exercise of Options and RSUs	46,483	-	-	-	-	-	-	-



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Sr. No.	Particulars	Scheme 2017								
		Options				RSUs				
		Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 1	Tranche 2	Tranche 3	Tranche 4	
	Money realized by exercise of options and RSUs (INR), if Scheme is implemented directly by the Company	N.A.								
	Loan repaid by the Trust during the year from exercise price received	N.A.								
	Number of options and RSUs outstanding at the end of the year	29,80,244	7,203	2,52,107	90,039	10,54,637	7,284	84,978	30,349	
	Number of options and RSUs exercisable at the end of the year	7,21,861	1,801	63,028	-	-	-	-	-	
<b>(v)</b>	<b>Weighted-average exercise prices ("WAEP") and weighted-average fair values ("WAFV") of options and RSUs</b>									
	Where exercise price is less than the market price of the stock	N.A.				WAEP = ₹ 10	WAEP = ₹ 10	WAEP = ₹ 10	WAEP = ₹ 10	WAFV = ₹ 171.41
	Where exercise price equals the market price of the stock	WAEP = ₹ 178.30	WAEP = ₹ 148.10	WAEP = ₹ 163.60	WAEP = ₹ 150.80	N.A.				
	Where exercise price is more than the market price of the stock	WAFV = ₹ 77.04	WAFV = ₹ 63.85	WAFV = ₹ 71.56	WAFV = ₹ 65.93	N.A.				



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Sr. No.	Particulars	Scheme 2017							
		Options				RSUs			
		Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 1	Tranche 2	Tranche 3	Tranche 4
<b>(vi)</b>	<b>Employee wise details (name of employee, designation, number of options, RSUs &amp; SARs granted during the year, exercise price) of options and RSUs granted to</b>								
	(a) Senior Managerial Personnel								
	▪ Mr. Ashish Dikshit	4,50,194	-	-	91,048	-	-	-	-
	(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								
	▪ Mr. Vishak Kumar - Chief Executive Officer, Madura Fashion & Lifestyle Division	3,00,130	-	-	-	-	-	-	-
	(c) Identified employee 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 - <b>NIL</b>								
<b>(vii)</b>	<b>A description of the method and significant assumptions used during the year to estimate the fair value of Options and RSUs including the following information</b>	<p>The fair value of Options and RSUs needs to be considered as on grant date.</p> <p>The Company has used Black Scholes model to arrive at the fair value of the Options and RSUs. Significant assumptions used to estimate the fair value are as follows:</p> <ul style="list-style-type: none"> <li>i) Expected Dividend Yield;</li> <li>ii) Expected Volatility; and</li> <li>iii) Risk-free Interest Rat</li> </ul> <p>Note: Expected volatility of the Company's stock price is based on the Company's comparable peer group's stock on NSE based on the price data of the last three years upto the date of grant as the Company was listed for a few months prior to the date of grant.</p>							



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Sr. No.	Particulars	Scheme 2017							
		Options				RSUs			
		Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 1	Tranche 2	Tranche 3	Tranche 4
(a)	The weighted-average values of Share price	₹ 77.04	₹ 63.85	₹ 71.56	₹ 65.93	₹ 171.41	₹ 141.29	₹ 156.99	₹ 144.20
	Exercise price	₹ 178.30	₹ 148.10	₹ 163.60	₹ 150.80	₹ 10	₹ 10	₹ 10	₹ 10
	Expected volatility	36.57%	36.28%	35.32%	35.28%	36.57%	36.28%	35.32%	35.28%
	Expected life	Period upto the vesting date + Average of the exercise period corresponding to each vesting							
	Expected dividends	NIL							
	Risk-free interest rate	6.70%	6.75%		7.43%	6.77%	6.98%		7.54%
	Any other inputs to the model	N.A.							
(b)	The Method used and assumptions made to incorporate the effects of expected early exercise	Not applicable, as the Scheme does not provide for early exercise.							
(c)	How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and	<p>Expected volatility of the Company's stock price is based on the Company's comparable peer group's stock price on NSE based on the price data of the last 3 (<i>three</i>) years upto the date of grant as the Company was listed only for a few months prior to the date of grant.</p> <p>The expected volatility reflects the assumptions that the historical volatility over a period similar to the life Options and RSUs is indicative of future trends, which may not necessarily be the actual outcome.</p>							



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Sr. No.	Particulars	Scheme 2017							
		Options				RSUs			
		Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 1	Tranche 2	Tranche 3	Tranche 4
	(d) Whether and how any other features of the Options and RSUs grant were incorporated into the measurement of fair value, such as a market condition	<p>Following factors have been considered:-</p> <ul style="list-style-type: none"> <li>i. The closing price of the Company's share on NSE on the date previous to the grant date.</li> <li>ii. In view of accumulated losses of previous years, the Company has not declared any dividend. Accordingly, no adjustment is made to the aforesaid closing price for the expected dividend yield over the expected life of the Options and RSUs.</li> <li>iii. Yield of Subsidiary General Ledger ("SGL") transactions in government dated securities (<i>i.e. Government securities issued by RBI on behalf of Government of India in dematerialized form</i>) for maturity with a term equal to the average expected life of the options and RSUs has been taken as the risk free interest rate.</li> <li>iv. The average expected remaining life of the Options and RSUs as on the valuation date, i.e. the period upto the vesting date plus the average of the exercise period correspondence to each vesting.</li> <li>v. Implied volatility of the Company's stock price on NSE is based on the price data of previous years up to the date of valuation to commensurate with the expected term of the Options/RSUs.</li> <li>vi. Option and RSU exercise price has been adopted as represented by the Management of the Company.</li> </ul>							