



ANNUAL DISCLOSURES BY THE BOARD OF DIRECTORS FOR FY 2022-23

(Pursuant to Regulation 14 read with Part F to Schedule I of Securities and Exchange Board of India (Share-Based Employee Benefits and Sweat Equity Shares), Regulations, 2021)

A. About Tata Elxsi Limited - Performance Stock Option Plan – 2023:

Tata Elxsi Limited ('the Company') believes that equity-based compensation plans are an effective instrument to align employee compensation to long term performance of the Company and also enhances overall shareholders' value creation. Considering this, the **Tata Elxsi Limited - Performance Stock Option Plan - 2023 ('the Plan')**, was implemented pursuant to the approval granted by shareholders, vide special resolution passed on 04th March 2023 through postal ballot. The Plan is in compliance with Securities and Exchange Board of India (Share-Based Employee Benefits and Sweat Equity Shares), Regulations, 2021 ('the Regulations').

Under the Plan, the Company would grant upto 3,11,000 stock options in one or more tranches to eligible employees that would entitle the grantees (in aggregate) to acquire, not exceeding 3,11,000 fully paid-up equity shares of Rs. 10/- (Rupee Ten Only) each

B. Relevant disclosure 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:

There are no grants made during the FY 2022-23. The Company shall use the fair value method for valuation of options as prescribed under IND AS 102 'Employee Share-based Payments' by Ministry of Corporate Affairs under the Companies (Indian Accounting Standards) Rules, and/or any relevant Accounting Standards/Guidance Note, as may be prescribed by the Institute of Chartered Accountants of India, as may be applicable at the time of grant of stock options under PSOP 2023.

C. 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':

Not Applicable

D. Disclosures in relation to Tata Elxsi Limited - Performance Stock Option Plan – 2023 ('the Plan'):

1. General Information

a. Date of shareholders approval

04th March 2023

TATA ELXSI

Registered Office **Tata Elxsi Limited** ITPB Road Whitefield Bangalore 560 048 India

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www.tataelxsi.com

(CIN-L85110KA1989PLC009968)



b. Total number of options approved under the Plan

3,11,000 Performance Stock Options

c. Vesting requirements

The minimum vesting period shall be one year from the date of grant. Unless otherwise specified in letter of grant, the total options granted shall become eligible to vest as per following schedule:

- 30% of Options granted shall become eligible to vest on First anniversary of Grant Date.
- 30% of Options granted shall become eligible to vest on Second anniversary of Grant Date.
- 40% of Options granted shall become eligible to vest on Third anniversary of Grant Date.

The broad criteria for vesting of options will include parameters based on the achievement of performance against targets set for the employees of the Company on metrics like Revenue Plan Target in INR and Profit Before Tax Margin (%). The Nomination and Remuneration Committee of the Board of Directors ('the Committee') shall define the parameters, weightages of the parameters, and targets under each parameter to be achieved by the Company for each financial year.

The Committee may add or replace the above with any other Company performance financial parameter aligned to long term shareholder value creation from time to time.

Options shall vest based on the Company's overall performance of the parameters (as defined by the Committee) calculated for each metric separately and shall be subject to below performance-vesting relationship:

Type of performance	Actual performance (% of target)	Vesting of Options (% of Eligible to Vest Options)
Below Threshold	< 90%	0%
Threshold	90%	75%
Target or above	100% or more	100%
Between Threshold and Target	Straight line interpolation between 90% to 100% performance. For example, at 96% performance, vesting to be 90% of eligible options will vest.	



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Further, subject to continued employment and achievement of performance conditions, the above eligible options shall vest in accordance with the performance criteria mentioned above.

d. Exercise price or pricing formula

The exercise price of options shall be equal to the face value of the equity shares.

e. Maximum term of options granted

The eligible employees shall be entitled to exercise their vested options within a period of twelve (12) months from the date of vesting except for such events specified in the Plan.

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

Primary

g. Variation in terms of options

Not Applicable

2. Method used to account for Tata Elxsi Limited - Performance Stock Option Plan – 2023 - Intrinsic or fair value

The Company shall use the fair value method for valuation of options as prescribed under IND AS 102 'Employee Share-based Payments' by Ministry of Corporate Affairs under the Companies (Indian Accounting Standards) Rules, and/or any relevant Accounting Standards/Guidance Note, as may be prescribed by the Institute of Chartered Accountants of India, from time to time or any other regulations.

3. 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

4. Option movement during the year:

S.no.	Particulars	Disclosure
a.	Number of options outstanding at the beginning of the period	Not Applicable
b.	Number of options granted during the year	



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c.	Number of options forfeited / lapsed during the year	
d.	Number of options vested during the year	
e.	Number of options exercised during the year	
f.	Number of shares arising as a result of exercise of options	
g.	Money realized by exercise of options (INR), if the Plan is implemented directly by the Company	
h.	Loan repaid by the Trust during the year from exercise price received	
i.	Number of options outstanding at the end of the year	
j.	Number of options exercisable at the end of the year	

5. Weighted-average exercise prices and weighted-average fair values of options - for options whose exercise price either equals or exceeds or is less than the market price of the stock.

Not Applicable

6. Employee wise details (name of employee, designation, number of options granted during the year, exercise price) of options granted to:

S.no.	Particulars	Disclosure
a.	senior managerial personnel as defined under Regulation 16(d) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;	Not Applicable (<i>No options granted during FY 2022-23</i>)
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.	



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7. A description of the method and significant assumptions used during the year to estimate the fair value of options including the following information:

S.no.	Particulars	Disclosure
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;	Not Applicable
b.	the method used and the assumptions made to incorporate the effects of expected early exercise;	
c.	how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and	
d.	whether and how any other features of the options granted were incorporated into the measurement of fair value, such as a market condition.	
