Why firms are doubling down on Esops

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In a year defined by global uncertainty and volatile stock markets, one corporate trend in India has stood out with striking clarity: the resurgence of employee stock options (Esops).

Once seen as the preserve of startups and Silicon Valley-style unicorns, Esops are fast becoming mainstream across traditional businesses. Participation and volumes have surged over the past five years, transforming Esops into a central plank of compensation strategies across traditional Indian businesses.

The numbers tell the story. A *Mint* analysis of Capitaline data shows that in 2020, just 299 companies allotted 282.5 million shares. By 2024, that had risen to 666 firms issuing 1.4 billion shares—a nearly fivefold increase.

The momentum has only strengthened this year: between January and August, 663 listed companies issued 902 million shares, sharply higher than the 583 companies and 626 million shares seen in the same period last year. The most striking shift is the expansion of Esops into middle and even junior layers of organisations.

"Esops have moved from being a niche startup perk to a mainstream element of compensation across companies," said Vinay Joy, partner at Khaitan & Co. "For startups in particular, where cash salaries often trail larger firms, equity grants have become the primary lever for attracting and retaining talent. This makes Esop adoption a year-on-year trend rather than a one-off spike." For employees too, Esops are moving from bonus to baseline.

"For senior executives, Esops can constitute as much as 40-60% of total remuneration. What's different now is that companies are expanding participation beyond leadership, embedding equity ownership into a more inclusive and performance-driven talent strategy," said Mousami Nagarsenkar, partner at Deloitte Touche Tohmatsu India LLP.

"Historically, Esops were designed to incentivize senior leadership. Today, however, they are increasingly used to reward high-performing talent at all levels," she said.

The key shift is Esops expanding into middle and junior levels, a fundamental rethinking of talent ownership

This inclusivity is evident in moves by large corporations such as Mahindra Group, where chief executive and managing director Anish Shah rolled out a one-time Esop for nearly 23,000 employees, including factory floor workers, in recognition of their contribution to the company's growth. Among individual firms, food delivery platform Swiggy has been the most aggressive, allotting 255 million Esops between 25 January and 2 May this year. Vishal Mega Mart followed with 160.5 million shares issued between 1 March and 25 August, showing how retail chains are embracing stock options to tie employees to their growth story.

In the energy sector, Suzlon Energy allotted 58.6 million shares under Esops between 10 January and 8 August, while insurance player Niva Bupa Health issued 18.6 million shares between April and July.

A key factor behind the Esop boom is liquidity.

"Frequent IPOs, acquisitions, and company-led Esop liquidity programmes mean employees can now convert options into cash more easily than before. This enhanced liquidity enables companies to broaden Esop participation beyond senior leadership," said Nagarsenkar.

India's IPO market has added fuel. Despite a slow start, it has picked up strong momentum in 2025, with 49 firms raising ₹71,948 crore through mainboard IPOs this year, a 35% increase from the same period in 2024, according to Prime Database data. But IPOs aren't the only driver.

Companies do accelerate grants or exercises ahead of liquidity events like listings, or acquisitions, and that coupled with heavy IPO pipeline in 2025 may have pulled forward some of this activity. "But what is also noteworthy is that Sebi's recent relaxations in June this year, which allow founders to retain Esops even post-IPO may have also nudged Esop issuances earlier in the cycle," said Mayank Arora, partner at The Chambers of Bharat Chugh.

Buybacks, however, have seen a sharp decline following finance minister Nirmala Sitharaman's October 2024 decision to shift buyback tax liability from companies to shareholders.

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