

Details of Employee stock option plan (“ESOP”) and Employee stock purchase scheme (“ESPS”)

Employee stock option plan (“ESOP”)

The Members at their Annual General Meeting held on August 14, 2001 approved grant of ESOPs to the employees / directors of the Company and its subsidiaries up to 7.5% of the issued and paid-up capital of the Company from time to time. This said limit was enhanced and approved up to 12.5% of the issued and paid-up capital of the Company from time to time, by the Members at their Annual General Meeting held on August 18, 2011. This extended limit is an all inclusive limit applicable for stock options granted in the past and in force and those that will be granted by the Company under this authorization.

Pursuant to ESOP scheme approved by the members of the Company on August 14, 2001, the Board of Directors, on March 4, 2002 approved the Employees Stock Option Scheme (“Scheme 2002”) for issue of 4,753,600 options to the employees and directors of the Company and its subsidiaries. According to the Scheme 2002, the Company has granted 4,548,920 options prior to the IPO and 619,000 options at various dates after IPO (including the grants of options out of options forfeited earlier). On August 25, 2010, the Board of Directors approved the Employees Stock Option Plan 2010 Scheme (“Scheme 2010”) for issue of 618,000 options to the employees and directors of the Company and its subsidiaries. According to the Scheme 2010, the Company has granted 638,000 options (including the grants of options out of options forfeited earlier).

Pursuant to ESOP scheme approved by the members of the Company in their meeting held on August 18, 2011, the Board of Directors approved the Employees Stock Option Plan 2011 Scheme (“Scheme 2011”). Accordingly, the Company has granted 1,950,500 options under the Scheme 2011. Nomination and Remuneration Committee in their meeting held on August 7, 2014 approved Oracle Financial Services Software Limited Stock Plan 2014 (“OFSS Stock Plan 2014”). Accordingly the Company granted 95,545 Stock Options and 301,078 Restricted Stock Units (RSUs) under OFSS Stock Plan 2014. The issuance terms of RSUs are the same as for Stock Options, employees may elect to receive 1 RSU in lieu of 4 awarded Stock Options at their respective exercise price.

As per the Scheme 2002, Scheme 2010 and Scheme 2011, each of 20% of the total options granted will vest on completion of 12, 24, 36, 48 and 60 months from the date of grant and is subject to continued employment of the employee or directorship of the director with the Company or its subsidiaries. Options have exercise period of 10 years from the date of grant. The employee pays the exercise price upon exercise of options.

In respect of the OFSS Stock Plan 2014, each of 25% of the total stock options / RSUs granted will vest on completion of 12, 24, 36 and 48 months from the date of grant and is subject to continued employment of the employee with the Company or its subsidiaries. Options / RSUs have exercise period of 10 years from the date of grant. The employee pays the exercise price upon exercise of options/RSUs.

The details of the options / RSUs granted under the Scheme 2002, Scheme 2010, Scheme 2011 and OFSS Stock Plan 2014 to eligible employees / directors from time to time are given below:

Particulars	Scheme 2002	Scheme 2010	Scheme 2011	OFSS Stock Plan 2014	OFSS Stock Plan 2014	Total
	(Stock Options)				(RSUs)	
Pricing Formula	At the market price as on the date of grant				₹5/-	
Variation of terms of options/RSUs	None	None	None	None	None	
Number of options/RSUs granted till March 31, 2016	5,167,920	638,000	1,950,500	95,545	301,078	8,153,043
Number of options/RSUs lapsed and forfeited	(614,725)	(273,642)	(338,700)	(2,300)	(7,962)	(1,237,329)
Number of options/RSUs exercised	(4,530,195)	(269,014)	(491,875)	–	–	(5,291,084)
Total number of options in force as on March 31, 2016	23,000	95,344	1,119,925	93,245	293,116	1,624,630

The details of Options / RSUs granted to Directors and Senior Managerial Personnel under OFSS Stock Plan 2014 during the financial year ended March 31, 2016 are as follows:

Particulars	Number of RSUs (OFSS Stock Plan 2014)
i. Directors:	
Mr. Chaitanya Kamat	25,000
ii. Senior Managerial Personnel:	
Mr. Arvind Gulhati	5,000
Mr. Edwin Moses	3,750
Mr. Mahesh Rao	2,500
Mr. Makarand Padalkar	10,000
Mr. Mohamed Yacob	200
Mr. M Ravikumar	3,125
Mr. Nikos Goutsoulas	1,500
Mr. Onkarnath Banerjee	375
Mr. Sanjay Deshpande	1,500
Mr. Vikram Gupta	5,000
Mr. Vinayak Hampihallikar	1,750
iii. Any other employee, who receives grant in any one year of option/RSUs amounting to 5% or more of option / RSUs granted during the year	Nil
iv. Identified employees who were granted option / 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	Nil
v. Diluted Earnings Per Share (EPS) pursuant to the issue of shares on exercise of option calculated in accordance with Accounting Standard 20 'Earnings Per Share' issued by the Institute of Chartered Accountants of India	₹ 109.03

Had compensation cost for the Company's ESOP been determined based on fair value at the grant dates, the Company's net profit and earnings per share would have been reported as per proforma amounts indicated below:

(Amounts in ₹ million, except per share data)

Particulars	Year ended March 31, 2016
Profit as reported	9,288.50
Add: Employee stock compensation under intrinsic value method	369.95
Less: Employee stock compensation under fair value method	(749.15)
Proforma profit	8,909.30
Earnings per share	
Basic	
- As reported	109.62
- Proforma	105.14
Diluted	
- As reported	109.03
- Proforma	104.69

All stock options were granted at market price on the date of grant and RSUs were granted at the face value of the equity shares. The compensation cost arising on account of stock options and RSUs is calculated using the Intrinsic Value method. The reported profit is after considering the cost of employee stock compensation using intrinsic value method on RSUs (₹ 369.95 million). The employee compensation cost using Fair value method on all the Stock options and RSUs for the year was ₹ 749.15 and the same is considered while calculating the proforma profit. Accordingly the disclosures in terms of Regulation 14 (C) (vii) of the SEBI (Share Based Employee Benefits) Regulations, 2014, are not applicable.

A summary of the activities in the Company's Scheme 2002, Scheme 2010 and Scheme 2011 for the year ended March 31, 2016 are as follows:

Particulars	Year ended March 31, 2016					
	Scheme 2002		Scheme 2010		Scheme 2011	
	Shares arising from options	Weighted average exercise price (₹)	Shares arising from options	Weighted average exercise price (₹)	Shares arising from options	Weighted average exercise price (₹)
Outstanding at beginning of year	36,400	1,978	164,690	2,064	1,414,628	2,837
Granted	-	-	-	-	-	-
Exercised	(13,400)	2,225	(63,666)	2,068	(164,253)	2,504
Forfeited	-	-	(5,680)	2,050	(130,450)	2,872
Outstanding at end of the year	23,000	1,835	95,344	2,062	1,119,925	2,882
Vested options	23,000		91,344		477,225	
Unvested options	-		4,000		642,700	
Options vested during the year	12,000		65,709		311,900	
Options forfeited / lapsed during the year	Nil		5,680		130,450	

The weighted average share price for the year over which stock options were exercised was ₹ 3,740. Money realized by exercise of options during the financial year 2015-16 was ₹ 572.81 million. The Company has recovered perquisite tax on the options exercised by the employees during the year.

A summary of the activities in the Company's OFSS Stock Plan 2014 are as follows:

Particulars	Year ended March 31, 2016			
	OFSS Stock Plan 2014			
	Shares arising from RSUs	Weighted average exercise price (₹)	Shares arising from Options	Weighted average exercise price (₹)
Outstanding at beginning of year	147,889	5	58,370	3,241
Granted	153,189	5	37,175	3,987
Exercised	-	-	-	-
Forfeited	(7,962)	5	(2,300)	3,241
Outstanding at end of the year	293,116	5	93,245	3,539
Vested RSUs / Options	35,745		14,010	
Unvested RSUs / Options	257,371		79,235	
RSUs / Options vested during the year	35,745		14,010	
RSUs / Options forfeited / lapsed during the year	7,962		2,300	

The fair value of stock options / RSUs granted on November 5, 2015 under OFSS Stock Plan 2014 was ₹ 3,481 calculated as per the Black Scholes valuation model considering the following inputs.

	Year ended March 31, 2016			Year ended March 31, 2015	
	OFSS Stock Plan 2014 (Stock Option)	OFSS Stock Plan 2014 (RSU)	Scheme 2011	OFSS Stock Plan 2014 (Stock Option)	OFSS Stock Plan 2014 (RSU)
	Weighted average share price (in ₹)	3,987	3,987	3,076	3,241
Exercise Price (in ₹)	3,987	5	3,076	3,241	5
Expected Volatility	25%	28%	28%	27%	27%
Weighted average life (in years)	3.59	6.25	6.5	6.25	6.25
Expected dividend rate	Nil	Nil	Nil	Nil	Nil
Average risk-free interest rate	7.51%	7.66%	8.66%	7.78%	7.78%

The expected volatility was determined based on historical volatility data; historical volatility includes early years of the Company's life; the Company expects the volatility of its share price to reduce as it matures.

The details of options unvested and options vested and exercisable as on March 31, 2016 are as follows:

	Exercise prices (₹)	Number of options	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Options / RSUs unvested	5	106,507	5	9.0
	5	150,864	5	9.6
	1,930	78,750	1,930	5.7
	2,032	8,000	2,032	5.7
	2,342	4,000	2,342	5.2
	3,076	12,000	3,076	8.3
	3,077	334,350	3,077	7.5
	3,127	209,600	3,127	6.9
	3,241	42,060	3,241	9.0
	3,987	37,175	3,987	9.6
Options / RSUs vested and exercisable	5	35,520	5	9.0
	5	225	5	9.6
	1,291	11,000	1,291	0.1
	1,930	122,328	1,930	5.7
	2,050	91,344	2,050	4.4
	2,333	12,000	2,333	4.6
	3,076	3,000	3,076	8.3
	3,077	148,700	3,077	7.5
	3,127	203,197	3,127	6.9
	3,241	14,010	3,241	9.0
		1,624,630	2,338	7.3

Employee Stock Purchase Scheme ("ESPS")

The Company has adopted the ESPS administered through a Trust with name i-flex Employee Stock Option Trust ("the Trust") to provide equity based incentives to key employees of the Company. i-flex Solutions Trustee Company Limited is the Trustee of this Trust. As per the scheme, the Trust can purchase shares of the Company from market using the proceeds of loans obtained from the Company. Such shares are allocated by the Trust to nominated employees at an exercise price, which approximates the fair value on the date of the grant. The shares vest in the employees over a period of five years and the employees can purchase the shares from the Trust over a period of ten years based on continued employment, until which, the Trust holds the shares for the benefit of the employees. The employees are entitled to receive dividends, bonus, etc., that may be declared by the Company from time to time for the entire portion of shares held by the Trust on behalf of the employees.

On the acceptance of the offer, the selected employee undertakes to purchase the shares from the Trust within ten years from the date of grant. In case an employee resigns from employment, the rights relating to vested shares, which are eligible for exercise, may be purchased by the employee by payment of the exercise price whereas, the balance shares are forfeited in favor of the Trust. The Trustees have the right of recourse against the employees for any amounts that may remain unpaid on the shares accepted by them. As of the balance sheet date, the Trust has repaid the entire loan obtained from the Company on receipt of payments from employees against shares exercised.

No allocation of shares to the employees have been made through the Trust since 2005 and all selected employees under the Trust have exercised their right of purchase of shares prior to March 31, 2014. In this regard, the Trustee Company has also filed a petition in the Hon'ble Bombay High Court to seek directions for utilization of the remaining unallocated shares along with the other assets held by the Trust for the benefit of the employees of the Company and the matter is presently pending before the Hon'ble Bombay High Court. As on March 31, 2016, 166,142 equity shares (March 31, 2015 – 166,142 equity shares) of the Company were held by the Trust.