Oracle Financial Services Software Limited

Details of Employee Stock Option Plan ("ESOP")
Financial year 2020-21

Employee Stock Option Plan ("ESOP")

The Members of Oracle Financial Services Software Limited ("the Company") 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 limit is an all-inclusive limit applicable to the stock options ("options") granted in the past and in force and those that will be granted by the Company.

Pursuant to ESOP scheme approved by the shareholders of the Company on August 14, 2001, the Board of Directors, on March 4, 2002 approved the 2002 Employees Stock Option Plan ("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). As at March 31, 2021 there are no options outstanding under ESOP Scheme 2002 and ESOP Scheme 2010.

Pursuant to ESOP scheme approved by the shareholders 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 178,245 Stock Options and 1,027,428 OFSS Stock Units ("OSUs") under OFSS Stock Plan 2014. The issuance terms of OSUs are the same as for options, till March 2019, employees elected to receive 1 OSU in lieu of 4 awarded options at their respective exercise price.

As per the Scheme 2002, Scheme 2010 and Scheme 2011, each of 20% of the total options granted vest on completion of 12, 24, 36, 48 and 60 months from the date of grant. In respect of the OFSS Stock Plan 2014, each of 25% of the total options / OSUs granted will vest on completion of 12, 24, 36 and 48 months from the date of grant. Any vesting is subject to continued employment of the employee with the Company or its subsidiaries. Options / OSUs have exercise period of 10 years from the date of grant. The employee pays the exercise price and applicable taxes upon exercise of options / OSUs.

The details of the options / OSUs granted under the Scheme 2002, Scheme 2010, Scheme 2011 and OFSS Stock Plan 2014 to eligible employees / directors from time to time till March 31, 2021 are given below:

Particulars	Scheme 2002	Scheme 2010	Scheme 2011	OFSS Stock Plan 2014	OFSS Stock Plan 2014	Total
	(Stock Options)				(OSUs)	
Pricing Formula	At the market price as on the date of grant				₹ 5	
Variation of terms of grant	None	None	None	None	None	–
Granted	5,167,920	638,000	1,950,500	178,245	1,027,428	8,962,093
Lapsed and forfeited	(620,725)	(304,362)	(485,580)	(43,950)	(97,392)	(1,552,009)
Exercised	(4,547,195)	(333,638)	(1,140,804)	(9,067)	(466,435)	(6,497,139)
Total number of options in force as on March 31, 2021	–	–	324,116	125,228	463,601	912,945

The details of OSUs granted to Directors and Senior Managerial Personnel under OFSS Stock Plan 2014 during the financial year ended March 31, 2021 are as follows:

Particulars		Number of OSUs		Number of OSUs
i.	Directors:			
	Mr. Chaitanya Kamat	30,000	Mr. Makarand Padalkar	15,000
ii.	Senior Managerial Personnel:			
	Mr. Arvind Gulhati	6,400	Mr. Rajaram Vadapandeshwara	800
	Mr. Avadhut Ketkar	2,100	Mr. Sanjay Bajaj	500
	Ms. Bindu Venkatesh	2,750	Mr. Sanjay Ghosh	600
	Mr. Goutam Chatterjee	425	Mr. Surendra Shukla	1,000
	Mr. Karthick Prasad	2,000	Mr. Tushar Chitra	1,000
	Ms. Laura Balachandran	400	Mr. V Ravikumar	400
	Mr. Mahesh Rao	1,700	Mr. Vikram Gupta	10,000
	Mr. Manish Gupta	500	Mr. Vinayak Hampihallikar	3,050
	Mr. Onkarnath Banerjee	2,000	Mr. Vivek Jalan	450

iii.	Any other employee, who receives grant in any one year of option / OSUs amounting to 5% or more of options / OSUs granted during the year	Nil
iv.	Identified employees who were granted option / OSUs, 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 Indian Accounting Standard (IND AS) 33 'Earnings Per Share' issued by the Institute of Chartered Accountants of India	₹ 189.80

A summary of the activity in the Company's ESOP (Scheme 2010) is as follows:

	Year ended March 31, 2021		Year ended March 31, 2020	
	Shares arising from options	Weighted average exercise price (₹)	Shares arising from options	Weighted average exercise price (₹)
Outstanding at beginning of year	33,835	2,050	37,065	2,050
Granted	–	–	–	–
Exercised	(12,805)	2,050	(3,230)	2,050
Forfeited	(21,030)	2,050	–	–
Outstanding at end of the year	–	2,050	33,835	2,050
Vested options	–		33,835	
Unvested options	–		–	
Options vested during the year	–		–	

A summary of the activity in the Company's ESOP (Scheme 2011) is as follows:

	Year ended March 31, 2021		Year ended March 31, 2020	
	Shares arising from options	Weighted average exercise price (₹)	Shares arising from options	Weighted average exercise price (₹)
Outstanding at beginning of year	354,942	2,932	382,224	2,924
Granted	–	–	–	–
Exercised	(12,076)	2,376	(14,082)	2,545
Forfeited	(18,750)	3,096	(13,200)	3,112
Outstanding at end of the year	324,116	2,943	354,942	2,932
Vested options	324,116		354,942	
Unvested options	–		–	
Options vested during the year	–		–	

A summary of the activity in the Company's ESOP (OFSS Stock Plan 2014) is as follows:

	Year ended March 31, 2021		Year ended March 31, 2020	
	Shares arising from options and OSUs	Weighted average exercise price (₹)	Shares arising from options and OSUs	Weighted average exercise price (₹)
Outstanding at beginning of year	595,174	798	554,572	878
Granted	172,975	5	142,250	5
Exercised	(158,054)	6	(82,839)	15
Forfeited	(21,266)	1,357	(18,809)	609
Outstanding at end of the year	588,829	758	595,174	798
Vested options and OSUs	227,249		252,203	
Unvested options and OSUs	361,580		342,971	
Options vested during the year	141,343		147,170	

During the year ended March 31, 2021, the Company has granted 172,975 OSUs (March 31, 2020 – 142,250 OSUs) under OFSS Stock Plan 2014 at an exercise price of ₹ 5.

The weighted average share price for the year over which options / OSUs were exercised was ₹ 3,005 (March 31, 2020 - ₹ 3,001).

The details of options / OSUs unvested and options / OSUs vested and exercisable as on March 31, 2021 are as follows:

	Exercise prices (₹)	Number of Options	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Options / OSUs unvested	5	354,354	5	8.4
	3,579	2,025	3,579	6.2
	4,158	5,201	4,158	7.2
Options /OSUs vested and exercisable	5	109,247	5	6.0
	1,930	43,463	1,930	0.7
	3,077	152,883	3,077	2.5
	3,127	127,770	3,127	1.8
	3,241	36,278	3,241	4.0
	3,393	45,050	3,393	5.2
	3,579	6,325	3,579	6.2
	3,987	25,050	3,987	4.6
	4,158	5,299	4,158	7.2
		912,945	1,533	5.4

All the above mentioned Schemes of the Company are in compliance with SEBI (Share Based Employee Benefits) Regulations, 2014 applicable from time to time.

The compensation cost arising on account of options and OSUs is calculated using the fair value method. The reported profit is after considering the cost of employee stock compensation of ₹ 426.61 million, using fair value method on options / OSUs.

The weighted average share price for the year over which stock options / OSUs were exercised was ₹ 3,005. Money realized by exercise of options / OSUs during the financial year 2020-21 was ₹ 55.83 million. The Company has recovered perquisite tax on the options / OSUs exercised by the employees during the year. The weighted average fair value of OSUs granted during the year was ₹ 3,039 calculated as per the Black Scholes valuation model considering the following inputs:

	Year Ended March 31, 2021 OFSS Stock Plan 2014 (OSU) July, 2020
Weighted average share price (in ₹)	3,044
Exercise Price (in ₹)	5/-
Expected Volatility	32%
Weighted average life (in years)	3.11
Expected dividend rate	Nil
Average risk-free interest rate %	4.5%

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.