

Oracle Financial Services Software Limited

Details of Employee Stock Option Plan (“ESOP”) Financial year 2021-22

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 had approved grants 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 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, in force, and those that will be granted by the Company in future.

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, 2022 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 has granted 178,245 Stock Options and 1,183,643 OFSS Stock Units (OSUs) under OFSS Stock Plan 2014. The issuance terms of OSUs are the same as for options. Till March 2019, employees could elect to receive 1 OSU in lieu of 4 awarded options at their respective exercise price.

The details of the options / OSUs granted under the Scheme 2002, Scheme 2010, Scheme 2011 and OFSS Stock Plan 2014 to eligible employees / directors of the Company from time to time till March 31, 2022 are given below:

Particulars	Scheme 2002	Scheme 2010 (Stock Options)	Scheme 2011	OFSS Stock Plan 2014	OFSS Stock Plan 2014 (OSUs)	Total
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	1,183,643	9,118,308
Lapsed and forfeited	(620,725)	(304,362)	(509,506)	(50,069)	(118,581)	(1,603,243)
Exercised	(4,547,195)	(333,638)	(1,226,886)	(15,486)	(558,166)	(6,681,371)
Total number of options in force as on March 31, 2022	–	–	214,108	112,690	506,896	833,694

The details of OSUs granted to Directors and Senior Managerial Personnel under OFSS Stock Plan 2014 during the financial year ended March 31, 2022 are as follows:

Name	Designation	Number of OSUs*
Mr. Chaitanya Kamat	Managing Director & Chief Executive Officer	25000
Mr. Makarand Padalkar	Whole-time Director & Chief Financial Officer	14000
Mr. Arvind Gulhati	Business Planning VP-Ops	4200
Mr. Avadhut Ketkar	Chief Accounting Officer	2300
Ms. Bindu Venkatesh	Vice President - Human Resources & Training	2475
Mr. Goutam Chatterjee	Consulting VP - Quality & Testing	350
Mr. Karthick Prasad	Vice President, Software Development	2500
Ms. Laura Balachandran	Business Planning VP-Ops	200
Mr. Mahesh Rao	Consulting RVP	1400
Mr. Onkarnath Banerjee	Company Secretary and Compliance Officer	2500
Mr. Rajaram Vadapandeshwara	Software Development VP	750
Mr. Sanjay Bajaj	VP - OFSAA Development Operations	450
Mr. Sanjay Ghosh	Consulting RVP	550
Mr. Sanjib Chakraborty	Group VP Oracle Health Insurance Consulting	1200
Mr. Surendra Shukla	Product Support VP	1400
Mr. Tushar Chitra	VP - Product Strategy & Marketing	1500
Mr. Vikram Gupta	GVP Banking Development	10000
Mr. Vinayak Hampihallikar	Consulting RVP	3500
Mr. Vivek Jalan	Vice President Real Estate and Facilities	350

*Grant rate per OSU is ₹ 5/-

- (a) 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
- (b) Identified employees who were granted options / 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
- (c) 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 – ₹ 209.08

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

	Year ended March 31, 2022		Year ended March 31, 2021	
	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
Granted	-	-	-	-
Exercised	-	-	(12,805)	2,050
Forfeited	-	-	(21,030)	2,050
Outstanding at end of the year	-	-	-	-
Vested options	-	-	-	-
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, 2022		Year ended March 31, 2021	
	Shares arising from options	Weighted average exercise price (₹)	Shares arising from options	Weighted average exercise price (₹)
Outstanding at beginning of year	324,116	2,943	354,942	2,932
Granted	-	-	-	-
Exercised	(86,082)	2,725	(12,076)	2,376
Forfeited	(23,926)	2,305	(18,750)	3,096
Outstanding at end of the year	214,108	3,102	324,116	2,943
Vested options	214,108	-	324,116	-
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, 2022		Year ended March 31, 2021	
	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	588,829	758	595,174	798
Granted	156,215	5	172,975	5
Exercised	(98,150)	236	(158,054)	6
Forfeited	(27,308)	832	(21,266)	1,357
Outstanding at end of the year	619,586	647	588,829	758
Vested options and OSUs	256,677	-	227,249	-
Unvested options and OSUs	362,909	-	361,580	-
Options vested during the year	133,947	-	141,343	-

During the year ended March 31, 2022, the Company has granted 156,215 OSUs at an exercise price of ₹ 5 (March 31, 2021 - 172,975 OSUs at an exercise price of ₹ 5) under OFSS Stock Plan 2014.

The weighted average share price for the year over which options / OSUs were exercised was ₹ 4,111 (March 31, 2021 - ₹ 3,005).

The details of options / OSUs unvested and options / OSUs vested and exercisable as on March 31, 2022 are as follows:

	Exercise prices (₹)	Number of Options	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Options / OSUs unvested	5	360,752	5	8.4
	4,158	2,157	4,158	6.2
Options / OSUs vested and exercisable	5	146,144	5	6.1
	3,077	107,748	3,077	1.5
	3,127	106,360	3,127	0.8
	3,241	34,890	3,241	3.0
	3,393	39,775	3,393	4.2
	3,579	6,325	3,579	5.2
	3,987	23,075	3,987	3.6
	4,158	6,468	4,158	6.2
		833,694	1,278	5.5

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 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 an exercise period of 10 years from the date of grant. The employee pays the exercise price and applicable taxes upon exercise of options / OSUs.

All the above mentioned Schemes of the Company are in compliance with SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 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 ₹ 496.91 million, using fair value method on options / OSUs.

The weighted average share price for the year over which options / OSUs were exercised was ₹ 4,111. Money realized by exercise of options / OSUs during the financial year 2021-22 was ₹ 257.72 million and 184,232 fresh equity shares were allotted as a result of exercise of options. 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 ₹ 4,309 calculated as per the Black Scholes valuation model, with details of features incorporated, considering the following inputs:

	Year Ended March 31, 2022			
	August, 2021	September, 2021	December, 2021	March, 2022
Weighted average share price (in ₹)	4,315	4,807	4,235	3,482
Exercise Price (in ₹)	5/-	5/-	5/-	5/-
Expected Volatility	32%	31%	31%	32%
Weighted average life (in years)	3.26	3.12	3.12	3.12
Expected dividend rate	Nil	Nil	Nil	Nil
Average risk-free interest rate %	5.19%	4.84%	4.92%	5.36%

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.