

Disclosures with respect to Compliance to section 62 of the Companies Act, 2013 read with Rule 12 of Companies (Share Capital and Debentures) Rules, 2014 and Regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 read with SEBI Circular dated June 16, 2015 on ESOP Disclosures as on March 31, 2020

During the year there was no material change in the ESOS schemes of the Company. The ESOS Schemes are in Compliance with the regulations.

(A) Relevant disclosures in terms of the ‘Guidance note on accounting for employee share-based payments’ issued by ICAI or any other relevant accounting standards as prescribed from time to time

Members may refer to the audited financial statement prepared as per Ind AS for the year 2019-20 and refer point no. D, E and F as mentioned below.

(B) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20

Diluted EPS on consolidated basis for the year ended March 31, 2020 is Rs. 7.31 and on Standalone basis is Rs. 4.46.

(C) Details related to Employees’ Stock Option Scheme (“ESOS”)

i) The description including terms and a condition of ESOS is summarized as under:

	Particulars	IIFL Securities Employee Stock Option 2019- Demerger Scheme (“IIFL Demerger Scheme”)	IIFL Securities Limited Employee Stock Option Scheme- 2018 (IIFL ESOS - 2018)
(a)	Date of shareholders’ approval	<p>The Composite Scheme of Arrangement approved by shareholders of the company on December 12, 2018 and NCLT – Mumbai approved the Scheme as on March 07, 2019 and subsequently by Nomination and Remuneration Committee on August 08, 2019.</p> <p>These Options are granted pursuant to Composite Scheme of Arrangement approved by the Board and the Shareholders of the company. Accordingly, the Options outstanding as per IIFL Employee Stock Option Scheme 2008 of IIFL Finance Limited (Earlier known as IIFL Holdings Ltd.) as</p>	September 30, 2019

		on effective date of Scheme of Arrangement.	
(b)	Total number of options approved under ESOS	9,04,686	8,00,00,000
(c)	Vesting requirements	<p>Options granted under Scheme would vest as per the vesting schedule as determined under various grants made under Employee Stock Option Plan 2008 of IIFL Finance Limited and outstanding as on May 31, 2019 subject to minimum one year from the Original Grant Date (defined under IIFL Demerger Scheme).</p> <p>The Committee shall have the power to accelerate the vesting schedule on a case-to-case basis subject to fulfillment of minimum vesting period of one year from the Original Grant date under ESOP 2008 Scheme.</p> <p>If the Vesting period/criteria relatable to the Options Granted under the Scheme, is not fulfilled, then such Options shall lapse and be cancelled vis-à-vis the Grantee. These lapsed options will not be available for further grant.</p>	<p>Vesting of the Stock Options may commence after the expiry of a minimum period of One year from the date on which the options were granted, and may extend up to such time as may be decided at the discretion of the Committee from the date of grant provided that the vesting period shall not exceed 5 (five) years. The vesting may occur in tranches, and may be subject to such terms and conditions of vesting, as may be stipulated by the Committee, in its sole and exclusive discretion.</p>
(d)	Exercise price or pricing formula	<p>Exercise price shall be equal to the Original Exercise Price as on effective date i.e. May 31, 2019, adjusted to the option swap ratio under the Composite Scheme of Arrangement.</p>	<p>The exercise price of the shares will be the market price of the shares one day before the date of the meeting of the Committee wherein the grants of options will be approved.</p> <p>The market price of the stock exchange where there is highest trading volume during the aforesaid period shall be considered.</p> <p>The Committee has a power to provide suitable discount or charge premium on such price as arrived above. However, in any case the Exercise price shall not</p>

			go below the par value of Equity Share of the Company.
(e)	Maximum term of options granted	The maximum Exercise Period for the vested options will be 7 (seven) years from the Original Grant date as defined under IIFL Demerger Scheme. The Options cancelled or lapsed without being Exercised within the Exercise Period will be lapsed permanently.	Exercise Period shall be the time period after vesting within which the eligible employees/ directors should exercise his right to apply for the Equity Shares against the Stock Options vested in them pursuant to the Scheme. The Exercise Period shall be decided by the Committee and will not be more than 7 (Seven) years from the date of grant.
(f)	Source of shares (primary, secondary or combination)	Primary	Primary
(g)	Variation in terms of options	None	None

ii. Method used to account for ESOS - Intrinsic or fair value.

Fair value

- iii. 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.

The Company has prepared its financials basis IndAS and calculated the employee compensation cost using fair value options and there is no difference.

iv. Option movement during the year (For each ESOS):

Particulars	IIFL Demerger Scheme	IIFL ESOS - 2018
Number of options outstanding at the beginning of the period	NIL	NIL
Number of options granted during the year	904686	9000000
Number of options forfeited /lapsed during the year	45645	87800
Number of options vested during the year	871591	-
Number of options exercised during the year	375000	-

Number of shares arising as a result of exercise of options	375000	-
Money realized by exercise of options (INR), if scheme is implemented directly by the company (Rs in millions)	9.91	-
Loan repaid by the Trust during the year from exercise price received	NA	NA
Number of options outstanding at the end of the year	484041	8912200
Number of options exercisable at the end of the year	468641	-

V. (i) Weighted average exercise price of Options outstanding at the end of the year whose:

(Amount in Rs.)

Particulars	IIFL Demerger Scheme	IIFL ESOS - 2018
Exercise price equals market price	-	30.85
Exercise price is greater than market price	-	-
Exercise price is less than market price	87.17	-

(ii) Weighted average fair value of Options outstanding at the end of the year whose:

(Amount in Rs.)

Particulars	IIFL Demerger Scheme	IIFL ESOS-2018
Exercise price equals market price	-	7.21
Exercise price is greater than market price	-	-
Exercise price is less than market price	84.01	-

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

a) Senior managerial personnel including Key Managerial Personnel

i. Employee Stock Option granted under IIFL Demerger Scheme

Name of the Employee	Designation	Number of options	Grant/exercise price (In Rs.)
Mr. Narendra Jain	Whole Time Director	2000	82.02
Mr. Arindam Chanda	Chief Executive Officer	8000	82.02

ii. Employee Stock Option granted under IIFL ESOS Scheme - 2018

Name of the Employee	Designation	Number of options	Grant/exercise price (In Rs.)
Mr. Arindam Chanda	Chief Executive Officer	100000	30.85
Mr. Mohan Radhakrishnan	Whole Time Director	75000	30.85
Mr. Narendra Jain	Whole Time Director	75000	30.85
Mr. Ronak Gandhi	Chief Financial Officer	20000	30.85
Mr. Roshan Dave	Company Secretary	20000	30.85
Mr. Jayesh Upadhyay	Company Secretary	10000	30.85

Note - Mr. Jayesh Upadhyay resigned as Company Secretary w.e.f. December 01, 2019

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.**

i) Employee Stock Option Granted under IIFL Demerger Scheme

Name of the Employee	Designation	Number of options	Grant/exercise price (In Rs.)
Mr. Prabodh Agrawal	Eligible Employee under Demerger Scheme	350000	26.47
Mr. Monu Ratra	Eligible Employee under Demerger Scheme	52500	82.02

Note: Mr. Prabodh Agrawal has exercised all the options granted under the IIFL Demerger Scheme and he was allotted the shares of the Company on March 02, 2020.

ii) Employee Stock Option Granted under IIFL ESOS Scheme-2018

Name of the Employee	Designation	Number of options	Grant/exercise price (In Rs.)
Nil	Nil	Nil	Nil

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. – **Not Applicable**

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

(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	Particulars	IIFL Demerger Scheme	IIFL ESOS - 2018
		Share Price	151.97	25.83
		Exercise Price	63.96	30.85
		Risk-free rate of return	6.86%	6.58%
		Dividend yield	1.25%	4.43%
		Time to maturity	2.65	5.00
		Expected Volatility	41.9%	43%
		Share Price	Average of the weekly high and low of Volume Weighted Average Price of shares during the trading history of the stock.	
		Exercise Price	As decided by the Committee of the Board	
		Risk-free rate of return	Zero coupon yield curve	
Dividend yield	Average of the last three years yield			
Time to maturity	Expected life has been calculated as an average of the minimum and maximum life of the options			
Expected Volatility	Annual volatility has been calculated as an average of the daily volatility of the listed companies from the peer group for a period commensurate with the remaining time to maturity of the option			
(b)	the method used and the assumptions made to incorporate the effects of expected early exercise.	Expected life has been calculated as an average of the minimum and maximum life of the options. No further assumptions on early exercises have been used.		
(c)	how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical	Expected Volatility has been calculated based on the historical volatility of the identified peer group company.		

	volatility	
(d)	whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition	None.

- (D) For share options exercised during the period, the weighted average share price at the date of exercise. If options were exercised on a regular basis throughout the period, the entity may instead disclose the weighted average share price during the period.

Dates of exercise during the year	Number of shares Allotted	Range of Exercise price (in Rs)	weighted average share price at the date of exercise
March 02, 2020	375000	25.79 – 26.47	26.43

- (E) For share options outstanding at the end of the period, the range of exercise prices and weighted average remaining contractual life. If the range of exercise prices is wide, the outstanding options shall be divided into ranges that are meaningful for assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.

Date of Grant	No of options granted	Grant /Exercise Price	Outstanding as on 31.03.2019	Remaining Contractual Life
August 08, 2019	34700	25.78	Nil	Nil
August 08, 2019	14500	31.05	Nil	Nil
August 08, 2019	350000	26.47	Nil	Nil
August 08, 2019	25000	61.4	25000	1.35
August 08, 2019	5200	82.73	5200	1.92
August 08, 2019	450286	82.02	431841	2.94
August 08, 2019	25000	218.71	22000	4.08
October 30, 2019	9000000	30.85	8912200	6.58

- (F) 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 ICAI or any other relevant accounting standards as prescribed from time to time.

The diluted EPS is calculated as per the fair value as required under IndAS 102 and the same is shown in the annual financial statements of the Company for the year ended March 31, 2020.