

MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

DISCLOSURES IN TERMS OF REGULATION 14 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (SHARE BASED EMPLOYEE BENEFITS) REGULATIONS, 2014 FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2019:

1. Relevant disclosures in terms of the 'Guidance note on accounting for employee share based payments' issued by ICAI or 'Indian Accounting Standard (IND AS) 102 - Share-based Payment' are given in the Note No. 36 of the 'Notes forming part of the Financial Statements' for the year ended 31st March, 2019.
2. Diluted EPS on issue of shares pursuant to all the schemes covered under regulations shall be disclosed in accordance with 'Indian Accounting Standard (IND AS) 33 - Earnings per Share' issued by ICAI or any other relevant accounting standards as prescribed from time to time is given in Note No. 34 of the 'Notes forming part of the Financial Statements' for the year ended 31st March 2019.
3. Details related to ESOS:

Sr. No.	Particulars	Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme - 2010 (MMFSL ESOS - 2010)
(i)	Description of Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme - 2010 (MMFSL ESOS - 2010) including general terms and conditions related to MMFSL ESOS - 2010 are given below:	
	Type of arrangement	Employees share based payment plan administered through ESOS Trust
	Contractual life	3 years from the date of each vesting
	Number of vested options exercisable	Minimum of 50 or number of options vested whichever is lower
	Method of settlement	By issue of shares at exercise price
	a. Date of Shareholders' approval	18 th September, 2010
	b. Total number of options approved under ESOS	48,45,025 (Adjusted for Sub-Division)
	c. Vesting requirements	In five equal tranches of 20% each on expiry of 12 months, 24 months, 36 months, 48 months and 60 months respectively, from the date of grant.

Sr. No.	Particulars	Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme - 2010 (MMFSL ESOS - 2010)
	d. Exercise Price or Pricing formula	At a face value of Rs.2/- per Equity Share
	e. Maximum term of options granted	Eight years from the date of grant with option validity of three years from the date of vesting of options under each tranche
	f. Source of Shares	Primary
	g. Variation in terms of options	None
(ii)	Method used to account for ESOS	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.	Since the Company has calculated the employee compensation cost using the Fair Value of stock options granted under MMFSL ESOS - 2010, there is no impact of difference on profits and on EPS.

Sr. No.	Particulars	Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme - 2010 (MMFSL ESOS - 2010)																						
(iv)	Option movement during the year :	<table border="1"> <thead> <tr> <th data-bbox="280 389 1098 461">Particulars</th> <th data-bbox="1098 389 1458 461">MMFSL ESOS - 2010</th> </tr> </thead> <tbody> <tr> <td data-bbox="280 461 1098 573">Number of options outstanding at the beginning of the year</td> <td data-bbox="1098 461 1458 573">10,83,987</td> </tr> <tr> <td data-bbox="280 573 1098 645">Number of options granted during the year</td> <td data-bbox="1098 573 1458 645">21,94,249</td> </tr> <tr> <td data-bbox="280 645 1098 757">Number of options forfeited/lapsed & expired during the year</td> <td data-bbox="1098 645 1458 757">11,572</td> </tr> <tr> <td data-bbox="280 757 1098 828">Number of options vested during the year</td> <td data-bbox="1098 757 1458 828">3,86,287</td> </tr> <tr> <td data-bbox="280 828 1098 900">Number of options exercised during the year</td> <td data-bbox="1098 828 1458 900">3,99,748</td> </tr> <tr> <td data-bbox="280 900 1098 1012">Number of shares arising as a result of exercise of options</td> <td data-bbox="1098 900 1458 1012">3,99,748</td> </tr> <tr> <td data-bbox="280 1012 1098 1124">Money realized by exercise of options (INR), if scheme is implemented directly by the Company</td> <td data-bbox="1098 1012 1458 1124">Rs. 54,84,110</td> </tr> <tr> <td data-bbox="280 1124 1098 1236">Loan repaid by the Trust during the year from exercise price received</td> <td data-bbox="1098 1124 1458 1236">Nil</td> </tr> <tr> <td data-bbox="280 1236 1098 1308">Number of options outstanding at the end of the year</td> <td data-bbox="1098 1236 1458 1308">28,66,916</td> </tr> <tr> <td data-bbox="280 1308 1098 1379">Number of options exercisable at the end of the year</td> <td data-bbox="1098 1308 1458 1379">1,76,151</td> </tr> </tbody> </table>	Particulars	MMFSL ESOS - 2010	Number of options outstanding at the beginning of the year	10,83,987	Number of options granted during the year	21,94,249	Number of options forfeited/lapsed & expired during the year	11,572	Number of options vested during the year	3,86,287	Number of options exercised during the year	3,99,748	Number of shares arising as a result of exercise of options	3,99,748	Money realized by exercise of options (INR), if scheme is implemented directly by the Company	Rs. 54,84,110	Loan repaid by the Trust during the year from exercise price received	Nil	Number of options outstanding at the end of the year	28,66,916	Number of options exercisable at the end of the year	1,76,151
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(v)	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Weighted-average exercise price : Rs. 2.00 Weighted-average fair value of options exercised during the year : Rs. 264.39																						
(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;	Annexure - I																						

Sr. No.	Particulars	Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme - 2010 (MMFSL ESOS - 2010)
	(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; and	Annexure - II
	(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.	Nil
(vii)	A description of the method and significant assumptions used during the year to estimate the fair value of options including the following information:	<p>The Black-Scholes Option Pricing Model has been used for valuing employee stock options. This model requires the consideration of certain significant assumptions/variables such as volatility, risk-free rate, expected dividend yield, expected option life, market price and exercise price for calculation of fair value of options. These variables significantly influence the fair value and any change in these variables could significantly affect the fair value of options.</p> <p>The Fair value of options granted on 24th October, 2018 have been calculated using Black-Scholes Options pricing formulae and the significant assumptions made in this regard are as follows:</p>

Sr. No.	Particulars	Mahindra & Mahindra Financial Services Limited Employees' Stock Option Scheme - 2010 (MMFSL ESOS - 2010)																	
	(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;	<table border="1"> <thead> <tr> <th data-bbox="767 349 1126 421">Key Assumptions</th> <th data-bbox="1126 349 1487 421">Values</th> </tr> </thead> <tbody> <tr> <td data-bbox="767 421 1126 492">Share price</td> <td data-bbox="1126 421 1487 492">Rs. 374.35</td> </tr> <tr> <td data-bbox="767 492 1126 564">Exercise price</td> <td data-bbox="1126 492 1487 564">Rs. 2.00</td> </tr> <tr> <td data-bbox="767 564 1126 636">Expected volatility</td> <td data-bbox="1126 564 1487 636">37.61%</td> </tr> <tr> <td data-bbox="767 636 1126 707">Expected option life</td> <td data-bbox="1126 636 1487 707">4.51 years</td> </tr> <tr> <td data-bbox="767 707 1126 779">Expected dividends</td> <td data-bbox="1126 707 1487 779">1.07%</td> </tr> <tr> <td data-bbox="767 779 1126 851">Risk free interest rate</td> <td data-bbox="1126 779 1487 851">7.77%</td> </tr> <tr> <td data-bbox="767 851 1126 922">Time to maturity</td> <td data-bbox="1126 851 1487 922">2.5 - 6.5 years</td> </tr> </tbody> </table>		Key Assumptions	Values	Share price	Rs. 374.35	Exercise price	Rs. 2.00	Expected volatility	37.61%	Expected option life	4.51 years	Expected dividends	1.07%	Risk free interest rate	7.77%	Time to maturity	2.5 - 6.5 years
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	(b) the method used and the assumptions made to incorporate the effects of expected early exercise;	The fair value of each tranche has been determined based on different expected lives of the options that vest each year, as it would be, if the tranches were viewed as several separate tranches, each with a different vesting date. A weighted average of the vests has been calculated to arrive at the values of the options granted under the scheme.																	
	(c) how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and	The measure of volatility used in the Black-Scholes Option Pricing Model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. In respect of options granted during the year, the daily volatility of the Company's stock price on National Stock Exchange of India Limited (NSE) over the expected life of the options prior to the date of the grant has been considered in determining the expected volatility based on the historical 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.	Besides key assumptions stated above, no other features of the options grant were considered while measuring the Fair Value.																	

4. Details related to Trust

The following details, *inter alia*, in connection with transactions made by the Trust meant for the purpose of administering the Scheme(s) under the Regulations are to be disclosed:

(i) General information on all Scheme(s):

Sr. No.	Particulars	Details
1	Name of the Trust	Mahindra & Mahindra Financial Services Limited Employees' Stock Option Trust
2	Details of the Trustee(s)	1. Mr. Rajnish Agarwal 2. Mr. J. Kannan 3. Mr. Dinesh Prajapati 4. Mr. Rajesh Vasudevan
3	Amount of loan disbursed by Company / any company in the group, during the year	Nil
4	Amount of loan outstanding (repayable to Company / any company in the group) as at the end of the year	Nil
5	Amount of loan, if any, taken from any other source for which Company / any company in the group has provided any security or guarantee	Nil
6	Any other contribution made to the Trust during the year	Nil

(ii) Brief details of transactions in shares by the Trust

Sr. No.	Particulars	Details
a)	Number of shares held at the beginning of the year (During the year, the Nomination and Remuneration Committee has inter alia, approved the transfer of 7,85,275 Stock Options, being the balance number of Options available in the 2005 Scheme to the 2010 Scheme. Pursuant to the aforesaid transfer of 7,85,275 Options to the 2010 Scheme on 14 th March, 2019, the 2005 Scheme stands closed, effective from the date of the said transfer).	32,87,993
b)	Number of shares acquired during the year through (i) primary issuance (ii) secondary acquisition, also as a percentage of paid-up equity capital as at the end of the previous financial year, along with information on weighted average cost of acquisition per share	Nil
c)	Number of shares transferred to the employees/sold, along with the purpose thereof; - Purpose of share transfers during the year: On account of exercise of vested stock options by eligible employees in accordance with the terms and conditions of the ESOS 2010.	3,99,748
d)	Number of shares held at the end of the year	28,88,245

(iii) In case of secondary acquisition of shares by the Trust - Not applicable

Number of shares	As a percentage of paid-up equity capital as at the end of the year immediately preceding the year in which Shareholders' approval was obtained
Held at the beginning of the year	Not Applicable
Acquired during the year	
Sold during the year	
Transferred to the employees during the year	
Held at the end of the year	

Annexure - I

Employee-wise details of options granted to Senior Managerial Personnel

Name & Designation of Senior Managerial Personnel to whom stock options have been granted	Options granted in February, 2011	Options granted in October, 2013	Options granted in October, 2014	Options granted in October, 2015	Options granted in October, 2018
Mr. Ramesh Iyer Vice-Chairman & Managing Director	2,00,140	Nil	1,62,173	10,812	1,29,149
Mr. V. Ravi Executive Director & Chief Financial Officer	77,815	Nil	61,319	Nil	25,283
Mr. Vinay Deshpande Chief People Officer	Nil	35,070	26,115	Nil	20,673
Mr. Rajesh Vasudevan Senior Vice-President - Accounts	21,860	Nil	29,234	Nil	32,414
Mr. Dinesh Prajapati Senior Vice-President - Treasury & Corporate Affairs	26,965	Nil	36,887	Nil	38,239
Mr. Rajnish Agarwal Senior Vice-President - Operations	16,930	Nil	29,947	Nil	36,550
Mr. R. Balaji Senior Vice-President - Marketing & Strategy	25,830	Nil	31,438	Nil	38,369

Annexure - II

Names of other employees who have received grants in any one year of options amounting to 5% or more of the options granted during that year

Names of other employees who have received grants in any one year of options amounting to 5% or more of options granted during that year	No. of options granted
i) Options granted during the year ended 31st March, 2011	
<ul style="list-style-type: none"> • Mr. Anuj Mehra - Managing Director Mahindra Rural Housing Finance Ltd. 	67,540
ii) Options granted during the year ended 31st March, 2014	
<ul style="list-style-type: none"> • Mr. Muffaddal Dohadwala - DGM-Process & Claims Management Mahindra Insurance Brokers Limited 	8,510
iii) Options granted during the year ended 31st March, 2016	
<ul style="list-style-type: none"> • Mr. Sushil Kumar Sharma - Head -ADM 	8,344
<ul style="list-style-type: none"> • Mr. Vinod Kumar Maddala - Regional Business Head 	5,357
<ul style="list-style-type: none"> • Ms. Shilpa Bhalerao - Sr. Manager-Human Resources 	4,793
<ul style="list-style-type: none"> • Mr. Sachin Patwardhan - Sr. Manager Auto Sector - Country Group 2 	3,737
<ul style="list-style-type: none"> • Mr. Amit Bhatia - Head - Mutual Fund & Third Party Product 	3,728
<ul style="list-style-type: none"> • Mr. Rohit Kumar Sinha - Sr. Manager-SME 	3,134
iv) Options granted during the year ended 31st March, 2017	
<ul style="list-style-type: none"> • Mr. Gururaj Rao - Chief Information officer 	14,953
v) Options granted during the year ended 31st March, 2018	
<ul style="list-style-type: none"> • Mr. Sandeep Mandrekar - AVP - Light Motor Vehicles Loans 	5,608
<ul style="list-style-type: none"> • Mr. Raghunath Kopalle - Chief of Reinsurance Mahindra Insurance Brokers Limited 	5,052