HINDUJA GLOBAL SOLUTIONS LIMITED

(CIN: L92199MH1995PLC084610)
Registered Office: Hinduja House, 171, Dr. Annie Besant Road, Worli, Mumbai - 400 018.
Tel: 022-2496 0707, Fax: 022-2497 4208, E-mail id: investor.relations@teamhgs.com
Website: www.teamhgs.com

HINDUJA GLOBAL SOLUTIONS LIMITED EMPLOYEES STOCK OPTION PLAN, 2011
Status as on March 31, 2016

I. DETAILS RELATED TO ESOP:

Hinduja Global Solutions Limited ("the Company") is implementing the 'Hinduja Global Solutions Limited Employees Stock Option Plan, 2011 ("ESOP 2011")' since Financial Year 2011-12 in terms of the approval accorded by the Members of the Company at their Meeting held on August 1, 2011.

(i) Total Number of Options Approved under ESOP 2011

The total Number of Options approved under the ESOP 2011 Scheme = 3,08,838.

(ii) Vesting Requirements

The options will vest as per the following schedule:

- 0.16 of the options granted will vest at the end of one year from the grant date.
- 0.17 of the options granted will vest at the end of 18 months from the grant date.
- 0.17 of the options granted will vest at the end of 24 months from the grant date.
- 0.25 of the options granted will vest at the end of 30 months from the grant date.
- 0.25 of the options granted will vest at the end of 36 months from the grant date.

(iii) Exercise Price or Pricing Formula

Exercise Price of each Option shall be the Market Price, i.e. the latest available closing price prior to the date of the meeting of the Nomination and Remuneration Committee (erstwhile Compensation Committee) or Board of Directors, in which the Options are granted, on the Stock Exchange where there is highest trading volume on the said date.

(iv) Maximum Term of Options Granted

The Optionee may exercise his/her vested options, in part or in whole, any day after the earliest applicable vesting date and prior to the completion of the 24th month from the earliest applicable vesting date of such vested options. On the completion of the 24th month from the earliest applicable vesting date of such vested options, the options shall lapse and revert back to the Company.

(v) Source of Shares:

Primary

(vi) Variation in terms of options:

Nil

(vii) Accounting Treatment

a) Method used to account for ESOP - Intrinsic Value method is used to account for options under ESOP 2011.

b) The stock-based compensation cost calculated as per the intrinsic value method for the financial year 2015-16 is Nil. If the cost based compensation cost was calculated as per fair value method prescribed by SEBI, the total cost to be recognized in the financial statement for the year 2015-16 would be higher by ₹ 28.62 lacs and net profit after taxes would have been lower by the like amount and consequently both the Basic as well as Diluted EPS would have been lower by ₹ 0.14

(viii) Option movement during the year (April 1, 2015 to March 31, 2016):

Particulars	Details
Number of options outstanding at the beginning of the period	1,66,918
Number of options granted during the year	42,095
Number of options forfeited/ lapsed during the year	33,264
Number of options vested during the year	27,595
Number of options exercised during the year	4,600
Number of shares of ₹ 10 each arising as a result of exercise of options	4,600
Money realized by exercise of options (INR), if scheme is implemented directly by Company (Scheme is implemented by the Company)	₹ 15,64,920
Loan repaid by the Trust during the year from exercise price received	Not Applicable
Number of options outstanding at the end of the year	1,71,150
Number of options exercisable at the end of the year	83,540

(ix) Weighted average exercise prices and weighted- average fair values of options disclosed separately, as under, for options whose exercise price either equals or exceeds or is less than the market price of the stock

Grant Date	Weighted average exercise price (per share of ₹ 10 each)	Weighted average Fair Value of options (per share of ₹ 10 each)
November 6, 2015	₹ 471.00	₹ 116.23

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

a) **Senior Managerial Personnel:** As per Annexure 2

b) **Any other employee who receives a grant in one year (2015-16) of option amounting to 5% or more of option granted during that year:** Nil

c) **Identified employees who were granted option, during one year (2014-15), equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant:** Nil

(xi) description of the method and significant assumptions used during the year (2015-16) 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:**

The fair value of the options has been calculated using the Black Scholes Options Pricing Model. Each tranche of vesting have been considered as a separate grant for the purpose of valuation. The assumption used in the estimation is as under:

	Options granted on
Particulars	**November 6, 2015**
Risk free interest rate	7.48%
Expected life	3.13 years
Expected volatility	35.35%
Expected dividends	4.25%
The price of the underlying share in market at the time of option grant	₹ 471.00

b) **The method used and the assumptions made to incorporate the effects of expected early exercise:**

The Expected Life of options is the period for which the Company expects the options to be live. The minimum life of a stock option is the minimum period before which the options cannot be exercised and the maximum life is the period after which the options cannot be exercised.

The fair value of each award has been determined based on different expected lives of the options that vest each year, as if the award were several separate awards, each with a different vesting date.

c) **Determination of expected volatility, including an explanation of the extent to which expected volatility was based on historical volatility:**

Volatility is a measure of the amount by which a price has fluctuated or is expected to fluctuate during a period. The measure of volatility used in the Black- Scholes option-pricing model is the annualized standard deviation of the continuously compounded rates of return on the stock over a period of time.

The period to be considered for volatility has to be adequate to represent a consistent trend in the price movements. It is also important that movements due to abnormal events get evened out.

There is no research that demonstrates conclusively how long the historical period used to estimate expected long-term future volatility should be. The entity's stocks have been publicly traded on NSE. For calculating volatility, the daily volatility of the stock prices on NSE, over a period prior to the date of grant, corresponding with the expected life of options, has been considered.

The fair value of an option is very sensitive to this variable. Higher the volatility, higher is the fair value. The rationale being, the more volatile a stock is, the more is its potential to go up (or come down), and the more is probability to gain from the movement in the price. Accordingly, an option to buy a highly volatile stock is more valuable than the one to buy a less volatile stock, for the probability of gaining is lesser in the latter case.

d) **Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as market condition.**

No other feature has been considered for fair valuation of options except as mentioned above.

II. ACCOUNTING DISCLOSURES

Relevant disclosures in terms of the 'Guidance note on accounting for employee share-based payments'; and diluted EPS on issue of shares pursuant to the schemes have been disclosed in accordance with 'AS 20 - Earnings Per Share', and attached as Annexure

Annexure.pdf   Annexure 2.pdf

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