

Directors' Report

Disclosure pursuant to regulation 14 of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021

Summary Status of ESOPs Granted

Position of the existing Bajaj Finserv Ltd. Employee Stock Option Scheme (BFS-ESOS) as on 31 March 2023 is summarised as below:

I. Details of the ESOS

Sr. No.	Particulars	BFS-ESOS
1	Date of shareholder's approval	19 July 2018
2	Total Number of options approved	45,000,000* options convertible into 45,000,000 equity shares of face value of ₹ 1/- *Shareholders vide an ordinary resolution through postal ballot dated 2 September 2022, approved sub-division of equity shares of face value of ₹ 5/- into five equity shares of face value of ₹ 1/- fully paid-up and issue of one bonus equity share of face value of ₹ 1/- for every 1 fully paid-up equity share of ₹ 1/- of the Company. Accordingly, the number of options mentioned under the scheme stands modified.
3	Vesting requirements	The options would vest not earlier than 1 year and up to 10 years from the date of grant of options or such period as may be decided by the Compensation Committee at the time of each grant of options. The options granted shall vest so long as the employee continues to be in the employment of the Company [including subsidiary(ies) companies / holding company (if any, in future)].
4	Exercise price or pricing formula (₹)	Closing market price one day prior to the date of grant, on the stock exchange where the highest trading volume of the equity shares of the Company is registered, subject to the condition that under any circumstances the exercise price will not be less than the face value of the equity shares of the Company i.e., ₹ 1/-.
5	Maximum term of options granted (years)	The exercise period would commence from the date of vesting and will expire on completion of 8 years from the date of vesting of options, or such period as may be decided by the Compensation Committee at its sole discretion from time to time.
6	Source of shares (primary, secondary or combination)	Combination
7	Variation in terms of ESOP	Nil
II	Method used to account for ESOS - Intrinsic or fair value.	Fair Value method
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.	Not Applicable

IV Option movement during FY2023

Sr. No.	Particulars	No. of options
1	No. of options outstanding at the beginning of FY2023	1,013,321
2	Options granted during FY2023	3,157,188
3	Options cancelled during FY2023	191,400
4	Options lapsed/forfeited FY2023	0
5	Options vested during FY2023	475,816
6	Options exercised during FY2023	682,689

Sr. No.	Particulars	No. of options
7	Total number of shares arising as a result of exercise of options	682,689
8	Money realised by exercise of options (₹)	705,978,560.64
9	Loan repaid by Trust during the year from exercise price received (₹)	697,044,528.00
10	Number of options outstanding at the end of the year	11,906,351
11	Number of options exercisable at the end of the year	4,472,291

V Weighted average exercise price of options granted during FY2023 whose

Sr. No.	Particulars	No. of options
(a)	Exercise price equals market price*	1,484.39
(b)	Exercise price exceeds the market price	Nil
(c)	Exercise price is less than market price	Nil
Weighted average exercise price of options granted during FY2023 whose		
(a)	Exercise price equals market price**	466.46
(b)	Exercise price exceeds the market price	Nil
(c)	Exercise price is less than market price	Nil

*Exercise price adjusted on account of stock split.

** Market Price adjusted on account of stock split.

VI Employee-wise details of options granted during the FY2023 to:

(i) Senior managerial personnel as defined in regulation 16(d) of SEBI Listing Regulations, 2015:

Sr. No.	Name	Designation	No. of options granted at an exercise price of ₹ 1,482.64
1.	S. Sreenivasan	Chief Financial Officer	53,520
2.	V. Rajagopalan	President - Legal & Taxation	42,570
3.	Anish Amin	President-Group Risk, Assurance & Human Resources	45,410
4.	Purav Jhaveri	President - Investments	49,980
5.	Ajay Sathe	Group Head - Customer Experience & CSR	17,190
6.	Devang Mody	Group Head - Strategy	178,150
7.	Uma Shende	Company Secretary	2,550

(ii) Employees who were granted options amounting to 5% or more of the options, granted during FY2023:

Sr. No.	Name	Designation	No. of options granted at an exercise price of ₹ 1,482.64
1.	Tapan Singhel	Managing Director & Chief Executive Officer, BAGIC	248,580
2.	Tarun Chugh	Managing Director & Chief Executive Officer, BALIC	221,140
3.	Devang Mody	Whole-time Director & Chief Executive Officer-Bajaj Finserv Health Ltd.	178,150

(iii) Identified employees who were granted option, during the year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant:

Sr. No.	Name	No. of options granted
	NIL	

VII (a) Method and significant assumptions used during the year to estimate the fair value of options (Weighted Average)

The fair value has been calculated using the Black Scholes Option Pricing model.

The assumptions used in the model are as follows:

Sr. No.	Date of grant (28 April 2022, 2 August 2022 and 13 September 2022)	Particulars
1.	Risk Free Interest Rate	5.55%
2.	Expected Life	3.02
3.	Expected Volatility	12.95%
4.	Dividend Yield	0.02%
5.	Price of the underlying share in market at the time of the option grant (₹)	1,484.33

(i) Assumptions:

The above assumptions are computed based on 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 for the grants made during the year. Grant wise assumptions is given below:

Stock Price: Closing price on National Stock Exchange on the date of grant has been considered.

Volatility: Volatility is the measure of the amount by which price has fluctuated or is expected to fluctuate during the period. The measure of volatility used, in Black Scholes Option pricing models the annualised standard deviation of the continuously compounded rates of return on the stock over period of time. For calculating volatility, the daily volatility of stock prices on NSE, over a period prior to the grant date, corresponding with the expected life of the options has been considered

Risk-free rate of return: The risk-free interest rate being considered for the calculation is the interest rate applicable for a maturity equal to the expected life of the options based on the zero-coupon yield curve for Government Securities.

Exercise Price: Exercise Price of each specific grant has been considered.

Time to Maturity: The Company has estimated the expected life of the options on the basis of average of minimum and maximum life of the options. Historical data is not considered in expected life calculations

Expected dividend yield: Expected dividend yield has been calculated as an average of dividend yields for five financial years preceding the date of the grant.

(ii) No other feature has been considered for fair valuation of options except as mentioned in point VII (a) (i) above.

(b) The method used and the assumptions made to incorporate the effects of expected early exercise: Not Applicable

(c) How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility: The expected price volatility is determined using annualized standard deviation (a measure of volatility used in Black-Scholes-Merton option pricing) and the historic volatility based on remaining life of the options.

(d) Whether and how any other features of the options granted were incorporated into the measurement of fair value, such as a market condition: Nil

VIII	Diluted earnings per share pursuant to issue of shares on exercise of options calculated in accordance with IndAS 33 (₹) (standalone)	4.6
IX	Relevant disclosures in terms of accounting standards prescribed by Central Government as per section 133 of Companies Act, 2013 including guidance note on accounting for employee share based payments issued in that regard.	Same are disclosed in note no. 38 to Standalone Financial Statements

Details related to Trust

Details in connection with transactions made by the Trust meant for the purpose of administering the scheme under the regulations are as follows:

(i) General information on all schemes

Sr. No.	Particulars	Details
1	Name of the Trust	Bajaj Finserv ESOP Trust
2	Details of the Trustee(s)	Bajaj Finserv Direct Limited
3	Amount of loan disbursed by Company/any company in the group, during FY2023 (₹)	775,318,549.45
4	Realisation from Treasury shares held by ESOP Trust (₹)	705,978,560.64
5	Amount of loan outstanding (repayable to Company /any company in the group) as at the end of FY2023 (₹)	1,264,118,837
6	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
7	Any other contribution made to the Trust during FY2023	NIL

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

Sr. No.	Particulars	No. of equity shares
(a)	Number of shares held at the beginning of FY2023 (face value of ₹ 5/-)	171,492
(b)	Number of shares acquired during FY2023 through -	
	(i) Primary issuance	143,483
	(ii) Secondary acquisition	NIL
(c)	Number of equity shares of face value ₹ 5 transferred to the employees along with the purpose thereof	47,340
(d)	Balance no. of shares as on record date i.e. 14 September 2022 (face value of ₹ 5/-)	267,635
(e)	Adjustment in number of shares, due to sub-division of equity shares of face value of ₹ 5 into five equity shares of face value of ₹ 1 each and issue of bonus shares in the ratio of 1:1	2,676,350
(f)	Number of equity shares of face value ₹ 1 transferred to the employees along with the purpose thereof	635,349
(g)	Number of shares held at the end of FY2023	2,041,001