

Report on
Amortization of Compensation Cost & Disclosures
Of
Cholamandalam Investment and Finance Company
Limited

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About the Report

Cholamandalam Investment and Finance Company Limited (“the Company”) has granted Employee Stock Options to its employees under its ESOP schemes. The scope of this report is to calculate the compensation cost to be amortized during the year ended March 31, 2024 and provide details pertaining to stock options required to be disclosed in the financial statements of the company.

1. Accounting impact as per SEBI Regulations

SEBI Regulations and Guidance Note state that the accounting value of the options shall be equal to the aggregate, over all employee stock options granted during the accounting period, of the intrinsic value of the option or, if the company so chooses, the fair value of the option. Irrespective of the method of accounting followed, the company is required to disclose the cost if it had used the other method in the Directors' Report.

It states that the fair value shall be estimated using an option-pricing model (Black Scholes or a binomial model) that takes into account as of the grant date the exercise price and the expected life of the option, the current price in the market of the underlying stock and its expected volatility, expected dividends on the stock, and risk-free interest rate for the expected term of the option.

In respect of options granted during any accounting period, the accounting value of options shall be treated as any other form of employee compensation in the financial statements of the company. This accounting value shall be amortized on a straight-line basis over the vesting period. Where a scheme provides for graded vesting, the vesting period shall be determined separately for each portion of the option and shall be accounted for accordingly.

The cumulative compensation cost till March 31, 2024 based on the fair valued method is INR 54,78,38,647.11.

2. Disclosures as per SEBI Regulations

The following disclosure needs to be made in the Notes to the Financial Statements of the Company as per SEBI Regulations as on 31st March 2024.

Director's Report Disclosures

- A. The information pursuant to the provisions of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, erstwhile SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 read with 'Guidance note on accounting for Employee share-based payments' issued by ICAI have been provided in Annexure B to this Report
- B. Diluted EPS on issue of shares pursuant to all the schemes covered under the regulations in accordance with 'Accounting Standard 20 - Earnings Per Share' issued by ICAI have been provided in Annexure B to this Report

Annexure B: Details related to ESOS

Requirements under the SEBI (Share Based Employee Benefits & Sweat Equity) Regulations,

Summary of Status of ESOPs Granted

The position of the existing schemes is summarized as under

Sr.No	Particulars	CDFL 2007	ESOP 2016
I.	Details of the ESOS that existed anytime during the year		
1	Date of Shareholder's Approval	30-Jul-07	27-Oct-16
2	Total Number of Options approved under ESOS	19,04,162	31,25,102
3	Vesting Requirements	The first vesting of the stock options shall happen only on completion of one year from the date of grant. Maximum vesting period is five years from the date of Grant	The first vesting of the stock options shall happen only on completion of one year from the date of grant. Maximum vesting period is five years from the date of Grant
4	Exercise Price or Pricing formula (₹)	The options were granted at an exercise price equal to the latest available closing price of the equity share on the Stock Exchange in which there was highest trading volume, prior to the date of grant of options.	The options were granted at an exercise price equal to the latest available closing price of the equity share on the Stock Exchange in which there was highest trading volume, prior to the date of grant of options.
5	Maximum term of Options granted (years)	10 years from the date of Grant	9 years from the date of Grant
6	Source of shares (Primary, Secondary or combination)	Primary	Primary
7	Variation in terms of options	The shareholders of the Company have approved the modification of exercise period of 3 years from date of vest to 6 years from the date of vest at the AGM held on 30 July, 2012.	No Variation

ESOP Financials

II. **Method used to account for ESOS**
The Company has calculated the employee compensation cost using the Fair value method of accounting for the Options granted under the Scheme

Particulars		CDFL 2007		ESOP 2016	
III.	Option Movement For the year 2023-24	Numbers	Wt. Avg Exercise Price	Numbers	Wt. Avg Exercise Price
1	Number of Options Outstanding at the beginning of the year*	0	0.00	5,403,455	548.31
2	Number of Options Granted during the year	0	NA	1,090,200	1168.44
3	Number of Options Forfeited during the year	0	NA	190,300	762.33
4	Options Lapsed during the year	0	NA	0	NA
5	Number of Options Vested during the year	0	NA	856,840	609.73
6	Number of Options Exercised during the year	0	0.00	979,454	362.85
7	exercise of options	0	0.00	979,454	362.85
8	Money realised by exercise of options (Rs.)	0	-	355,399,561	362.85
9	Number of options Outstanding at the end of the year	0	0.00	5,323,901	701.77
10	Number of Options exercisable at the end of the year	0	0.00	1,585,421	461.51

*Adjusted for Stock Split (10:2) on June 14, 2019

Particulars		CDFL 2007		ESOP 2016	
IV.	Option Movement for the year 2022-23	Numbers	Wt. Avg Exercise Price	Numbers	Wt. Avg Exercise Price
1	Number of Options Outstanding at the beginning of the year*	0	0.00	4,522,020	397.87
2	Number of Options Granted during the year	0	NA	2,103,500	712.59
3	Number of Options Forfeited during the year	0	NA	253,530	365.57
4	Options Lapsed during the year	0	NA	0	NA
5	Number of Options Vested during the year	0	NA	513,295	269.98
6	Number of Options Exercised during the year	0	0.00	974,535	250.81
7	Total number of shares arising as a result of	0	0.00	974,535	250.81
8	Money realised by exercise of options (Rs.)	0	-	238,886,125	250.1255154
9	Number of options Outstanding at the end of the year	0	0.00	5,403,455	548.31
11	Number of Options exercisable at the end of the year	0	0.00	1,673,315	322.79

*Adjusted for Stock Split (10:2) on June 14, 2019

V.	Weighted average exercise price of Options granted during the year whose	CDFL 2007		ESOP 2016	
(a)	Exercise price equals market price	NA	NA	1168.44	
(b)	Exercise price is greater than market price	NA	NA	NA	
(c)	Exercise price is less than market price	NA	NA	NA	
	Weighted average fair value of options granted during the year whose				
(a)	Exercise price equals market price	NA	NA	585.58	
(b)	Exercise price is greater than market price	NA	NA	NA	
(c)	Exercise price is less than market price	NA	NA	NA	

VI.	Weighted average Share price for Options exercised during the year	CDFL 2007	ESOP 2016
	Weighted average Share price	NA	1119.73

VII.	The weighted average Contractual life of Options Outstanding as on 31st March 2024 (in Years)	CDFL 2007	ESOP 2016
		0.00	5.64

VIII.	The weighted average Contractual life of Options Exercisable as on 31st March 2024 (in Years)	CDFL 2007	ESOP 2016
		0.00	3.27

ESOP Financials

IX Employee-wise details of options granted during the financial year 2023-24 to:			
(i) Senior managerial personnel :			
Name of Employees	Designation	Number of Options granted during the year	Exercise price
Mr. Ravindra Kumar Kundu	Executive Director	0	0
Mr. D Arulselvan	President & Chief Financial Officer	0	0
Mr. R Chandrasekar	Executive Vice President & Head - Human Resources	0	0
Mr. Durgaprasad Swaminathan	Executive Vice President & CIO	0	0
Mr. Mahesh Waikar	Executive Vice President & Head - Operations	0	0
Ms. P Sujatha	Executive Vice President & Company Secretary	0	0
Mr. Ajay Bhatia	Sr. Vice President & Chief Risk Officer	0	0
Mr. S Manickam	Sr. Vice President & Head - Internal Audit	0	0
(ii) Employees who were granted, during the year, options amounting to 5% or more of the options granted during the year			
Name of Employees	Designation	Number of Options granted during the year	Exercise price
Ganesh Vasudevan	Sr. VP-Head - Digital Initiatives & Marketing & Corporate Communications	61,900	1245.8
(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.			
Name of Employees	Designation	Number of Options granted during the year	Exercise price
Nil			

X Method and Assumptions used to estimate the fair value of options granted during	
The fair value has been calculated using the Black Scholes Option Pricing model	
The Assumptions used in the model are as follows:	
Date of grant	Particulars
	ESOP 2016
1. Risk Free Interest Rate	7.04%
2. Expected Life	5.12
3. Expected Volatility	47.05%
4. Dividend Yield	0.17%
5. Price of the underlying share in market at the time of the option grant (Rs.)	1168.44
5. Exercise Price of the option grant (Rs.)	1168.44

ESOP Financials

Assumptions:

- 1) Stock Price: Closing price on National Stock Exchange on the date of grant has been considered
- 2) Volatility: The historical volatility over the expected life has been considered to calculate the fair value.
- 3) 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
- 4) Exercise Price: Exercise Price of each specific grant has been considered.
- 5) Time to Maturity: Time to Maturity / Expected Life of options is the period for which the Company expects the options to be live.
- 6) Expected divided yield: Expected dividend yield has been calculated as an average of dividend yields for financial year preceding the date of the grant