



NEWGEN

Newgen Software Technologies Limited

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INFORMATION REGARDING EMPLOYEES STOCK OPTION SCHEMES PURSUANT TO THE PROVISIONS OF SEBI (SHARE BASED EMPLOYEE BENEFITS) REGULATIONS 2014 – FOR THE FINANCIAL YEAR 2018-19.

1) Details related to the Scheme:

As on 31st March 2019, the Company has in place the Newgen Employees Stock Option Scheme – 2014 (“NEWGEN ESOP 2014”). All the relevant details as prescribed under above Rule and Regulation are provided below and the same also available on the website of the Company at <https://newgensoft.com>.

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.

Please refer Annexure-1

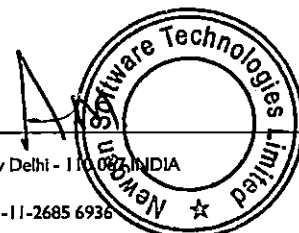
B. Diluted EPS on issue of shares pursuant to all the schemes covered under the regulations in accordance with ‘Indian Accounting Standard (Ind AS) - 33 - Earnings Per Share’ or any other relevant accounting standards as prescribed from time to time:

Fully diluted EPS pursuant to issue of Equity Shares on exercise of stock options calculated in accordance with Ind AS - 33 ‘Earning Per Share’ (Consolidated)	Basic: 14.08 Diluted: 13.82
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C. Other Details relating to Newgen ESOP 2014

S. No.	Particulars	Fiscal 2019	Fiscal 2018	Fiscal 2017	Fiscal 2016	Fiscal 2015
i.	a) Date of shareholders’ approval	As on 31 st March 2019, the Company has in place the Newgen Employee Stock Option Scheme – 2014 (“NEWGEN ESOP 2014”), as approved by the shareholders on 13 th November 2014, which was further amended and modified on 28 th July 2017 by the shareholders of the Company, to be compliant with the SEBI (Share Based Employee Benefits) Regulations, 2014 during IPO procedure. Post initial public offer of the Company, the shareholders ratified the Newgen ESOP 2014 on 9 th August 2018, as required under SEBI (Share				

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		Based Employee Benefits) Regulations, 2014.														
	b) Total number of options approved	The maximum number of 37,83,800 shares can be issued under NEWGEN ESOP 2014.														
	c) Total number of options granted	NIL	562,550	NIL	NIL	36,53,525										
	d) Vesting requirements	Set forth below is the vesting schedule, subject to there being a gap of at least one year between the date of grant of options and the vesting of such options.														
		<table border="1"> <thead> <tr> <th>Number of options vested</th> <th>Vesting schedule</th> </tr> </thead> <tbody> <tr> <td>10% of the options granted</td> <td>One year from the date of grant</td> </tr> <tr> <td>20% of the options granted</td> <td>Two years from the date of grant</td> </tr> <tr> <td>30% of the options granted</td> <td>Three years from the date of the grant</td> </tr> <tr> <td>40% of the options granted</td> <td>Four years from the date of grant</td> </tr> </tbody> </table>					Number of options vested	Vesting schedule	10% of the options granted	One year from the date of grant	20% of the options granted	Two years from the date of grant	30% of the options granted	Three years from the date of the grant	40% of the options granted	Four years from the date of grant
Number of options vested	Vesting schedule															
10% of the options granted	One year from the date of grant															
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30% of the options granted	Three years from the date of the grant															
40% of the options granted	Four years from the date of grant															
	e) Exercise price or pricing formula	₹ 63/-														
	f) Maximum term of options granted	Once the options have vested, such options have to be exercised within a period of five years from the date on which the last of the options vest. Vesting period shall be as stated in above point (d).														
	g) Source of shares (primary, secondary or combination)	Company uses Trust Route for implementing this Scheme. Source of Share to the Trust as on 31 st March 2019 is Primary. For more information please refer details related to Newgen ESOP Trust as provided in this disclosure.														
	h) Variation in terms of options	NIL														
ii.	Method used to account for NEWGEN ESOP 2014	Fair Value Method using Black-Scholes Model														
iii.	Difference between the employee	During the financial year 2018-19 Company followed fair value accounting of stock options.														

	compensation cost using the intrinsic value of stock options and the employee compensation cost that shall have been recognized if it had used the fair value of the options. The impact of this difference on profits and on EPS of the Company.	
iv.	Option movement during Financial Year 2018-19	
	a) Number of options outstanding at the beginning of the year	22,43,483
	b) Number of options granted during the year	NIL
	c) Number of options forfeited / lapsed during the year	1,12,466
	d) Number of options vested during the year	12,68,724
	e) Number of options exercised during the year	5,73,493
	f) Number of shares arising as a result of exercise of options	5,73,493
	g) Money realized by exercise of options (INR), if scheme is implemented directly by the company	3,61,30,059
	h) Loan repaid by the Trust during the year from exercise price received	1,48,05,000
	i) Number of options outstanding at the end of the year	15,57,524
	j) Number of options exercisable at the end of the year	11,22,797
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 prices: ₹ 63/- > Weighted-average fair values of options granted during the year: NA

vi. **Employee wise details of the options granted during Financial Year 2018-19:**

a) Option granted to Senior Managerial Personnel & KMPs during the year	Nil																									
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 – Nil																										
c) Identified employees who were granted option during any one year equal to or exceeding 1% of the issued capital of the Company (excluding outstanding warrants and conversions) at the time of grant. – Nil																										
vii. A Description of Method and significant assumptions used during the year to estimate the fair value of options including the following information:	NA																									
a) the weighted-average values of share price	NA																									
b) weighted average exercise price	NA																									
c) Expected volatility	NA																									
d) Expected option life	<table border="1"> <thead> <tr> <th>Grant Name</th> <th>Grant Date</th> <th>Number of options outstanding</th> <th>Exercise Period</th> <th>Remaining Life (In Years)</th> </tr> </thead> <tbody> <tr> <td>ESOP 2014/ Grant I</td> <td>01-01-2015</td> <td>11,00,564</td> <td>31-12-2023</td> <td>4.76</td> </tr> <tr> <td>ESOP 2014/ Grant II</td> <td>01-07-2017</td> <td>2,76,235</td> <td>30-06-2026</td> <td>7.25</td> </tr> <tr> <td>ESOP 2014/ Grant III</td> <td>01-09-2017</td> <td>1,26,500</td> <td>31-08-2026</td> <td>7.42</td> </tr> <tr> <td>ESOP 2014/ Grant IV</td> <td>01-10-2017</td> <td>54,225</td> <td>30-09-2026</td> <td>7.51</td> </tr> </tbody> </table>	Grant Name	Grant Date	Number of options outstanding	Exercise Period	Remaining Life (In Years)	ESOP 2014/ Grant I	01-01-2015	11,00,564	31-12-2023	4.76	ESOP 2014/ Grant II	01-07-2017	2,76,235	30-06-2026	7.25	ESOP 2014/ Grant III	01-09-2017	1,26,500	31-08-2026	7.42	ESOP 2014/ Grant IV	01-10-2017	54,225	30-09-2026	7.51
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ESOP 2014/ Grant IV	01-10-2017	54,225	30-09-2026	7.51																						
e) Expected dividends	NA																									
f) Risk-free interest rate and any other inputs to the model	NA																									
g) The method used and the assumptions made to incorporate the effects of expected early exercise;	NA																									
h) How expected volatility was determined, including an	NA																									

explanation of the extent to which expected volatility was based on historical volatility; and	
i) whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition	NA

2) Details Related to Trust:

Newgen ESOP 2014 will continue to be implemented through the Trust Route and accordingly Newgen ESOP Trust was constituted for Newgen ESOP 2014. In Trust Route, the Trust will utilise the shares already held by it and will acquire the shares of the company either through fresh allotment from the company or by way of secondary acquisition, if any.

(i) Details:

S. No.	Particulars	Newgen ESOP Trust (For Newgen ESOP 2014)
1.	Name of the Trust	Newgen ESOP Trust
2.	Details of the Trustee (s)	Mr. Amarendra Kishore Sharan Mr. Arvind Kaul
3.	Amount of Loan disbursed by the 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*	3,25,49,731
5.	Amount of Loan, if any, taken from any other sources for which the Company or any company in the group has provided any security or guarantee	NIL
6.	Any other Contribution made to the Trust during the year	NIL

**Including Interest of ₹ 82,31,731/- on Loan payable by Newgen ESOP Trust.*

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

S. No.	Particulars	Newgen ESOP Trust (For Newgen ESOP 2014)
1.	Number of shares held at the beginning of the year	13,51,584
2.	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	Primary Issue: 3,50,000 (0.51% of paid up capital as at the end of the Previous Financial year 2017-18) Weighted average cost of

	per share;	primary acquisition: ₹ 63/-
3.	Number of shares transferred to the employees / sold along with the purpose thereof during the year	5,73,493
4.	Number of shares held at the end of the year.	11,28,091

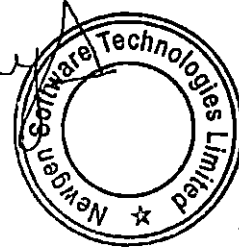
***As defined under SEBI (Share Based Employee Benefits) Regulations 2014, secondary acquisition" means acquisition of existing shares of the company by the trust on the platform of a recognized stock exchange for cash consideration;*

(iii) In case of secondary acquisition of shares by the Trust:

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
	Newgen ESOP Trust
Held at the beginning of the year	Nil
Acquired during the year	Nil
Sold during the year	Nil
Transferred to the employees during the year	Nil
Held at the end of the year	Nil

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A. Description of share-based payment arrangements

i. Share option programmes (equity-settled)

The Company had established Employees Stock Option Plan-1999 (ESOP 1999) and Employees Stock Option Plan-2000 (ESOP 2000) in the year 1999-00 and 2000-01 respectively, administered through 'Newgen Employees Trust' (ESOP Trust) set-up for this purpose, for a total grant of 293,160 and 600,000 options respectively, at an Exercise Price of INR 80 and INR 40 per option respectively, to the employees of the Company. Under the terms of the original plans, these options are vested on a graded vesting basis over a maximum period of Four (4) years from the date of grant and are to be exercised either in part(s) or full, within a maximum period of five and four years respectively from the date of last vesting. During the year ended 31 March 2000, 586,320 equity shares were issued to ESOP Trust as bonus shares in the ratio of 1:2. Further, 4,093,350 equity shares were also issued to ESOP Trust as bonus shares in the ratio of 1:5 during the year ended 31 March 2015.

The Board of Directors of the Company time to time extended the maximum exercise period for ESOP 1999 and ESOP 2000. During the year 2014-15, the Board of Directors of the Company in their meeting dated 24 December 2014 extended the maximum exercise period for ESOP 1999 and ESOP 2000 to five years and four year respectively from the last vesting date or 31 December 2018, whichever is later.

The Company established Newgen Employees Stock Option Scheme 2014 (Newgen ESOP 2014) in the year 2014-15, administered through a new Trust 'Newgen ESOP Trust'. The maximum numbers of grants under this Scheme shall be limited to 3,783,800 option with underlying equity shares of the Company. Pursuant to the scheme, during the year 2014-15, the Company has granted 3,653,525 options at an exercise price of INR 63 per option, to the employees of the Company. Under the terms of the plans, these options are vested on a graded vesting basis over a maximum period of four years from the date of grant and are to be exercised either in part(s) or full, within a maximum period of five from the date of last vesting. Further, during the year 2017-18 grant of options 353,000, 130,000, and 79,250 through grant II, III and IV on 1 Jul 2017, 1 Sep 2017 and 1 Oct 2017 respectively under the same scheme and with same vesting conditions was made.

The ESOP trust has been treated as an extension of the Company and accordingly shares held by ESOP Trust are netted off from the total share capital. Consequently, all the assets, liabilities, income and expenses of the trust are accounted for as assets and liabilities of the Company, except for profit / loss on issue of shares to the employees and dividend received by trust which are directly adjusted in the Newgen ESOP Trust reserve.

Following table represents general terms of the grants for the ESOP outstanding as on 31 March 2019, during the year 2018-19 there were no grants made.

ESOP schemes	Grant Date	No. of Options Outstanding	Exercise Price	Weighted average remaining life	Vesting Period
Newgen Employees Stock Option Scheme 2014 (Newgen ESOP 2014)	1-Jan-2015	11,00,564	INR 63	4.76	4 years
Newgen Employees Stock Option Scheme 2014 (Newgen ESOP 2014)	1-Jul-2017	2,76,235	INR 63	7.25	4 years
Newgen Employees Stock Option Scheme 2014 (Newgen ESOP 2014)	1-Sep-2017	1,26,500	INR 63	7.42	4 years
Newgen Employees Stock Option Scheme 2014 (Newgen ESOP 2014)	1-Oct-2017	54,225	INR 63	7.51	4 years

B. Measurement of fair values

i. Equity-settled share-based payment arrangements

The fair value of the employee share options has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

The requirement that the employee has to remain in service in order to purchase shares under the share purchase plan has been incorporated into the fair value at grant date by applying a discount to the valuation obtained.

The fair value of options and the inputs used in the measurement of the grant date fair values of the equity-settled share based payment plans are as follows:

Particulars	Newgen Employees Stock Option Scheme 2014 (Newgen ESOP)	Newgen Employees Stock Option Scheme 2014 (Newgen ESOP)
	No Grant 31 March 2019	Grant II, III and IV 31 March 2018
Fair value of options at grant date	-	100.23
Share price at grant date	-	134.53
Exercise price	-	63.00
Expected volatility (weighted-average)	-	55.59%
Expected life (weighted-average)	-	9 years
Expected dividends	-	0.00%
Risk-free interest rate (based on government bonds)	-	6.78%

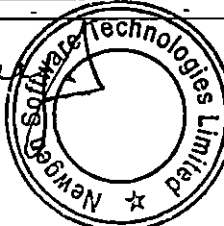
C. Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options under the share option programmes were as follows.

Employees Stock Option Plan-1999 (ESOP 1999)	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	31 March 2019	31 March 2019	31 March 2018	31 March 2018
Options outstanding as at the beginning of the year	-	-	52,600	INR 4.45
Add: Options granted during the year	-	-	-	-
Less: Options lapsed during the year	-	-	-	-
Less: Options exercised during the year	-	-	52,600	INR 4.45
Options outstanding as at the year end	-	-	-	INR 4.45
Exercisable as at year end	-	-	-	-
Weighted - average contractual life	-	-	-	-

Employees Stock Option Plan-2000 (ESOP 2000)	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	31 March 2019	31 March 2019	31 March 2018	31 March 2018
Options outstanding as at the beginning of the year	-	-	3,86,700	INR 6.67
Add: Options granted during the year	-	-	-	-
Less: Options lapsed during the year	-	-	-	-
Less: Options exercised during the year	-	-	3,86,700	INR 6.67
Options outstanding as at the year end	-	-	-	INR 6.67
Exercisable as at year end	-	-	-	-

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Newgen Employees Stock Option Scheme 2014 (Newgen ESOP 2014)

	Number of options 31 March 2019	Weighted average 31 March 2019	Number of options 31 March 2018	Weighted average exercise price 31 March 2018
Options outstanding as at the beginning of the year	22,43,483	INR 63.00	30,61,209	INR 63.00
Add: Options granted during the year	-	-	5,62,550	INR 63.00
Less: Options lapsed during the year	1,12,466	INR 63.00	1,26,096	INR 63.00
Less: Options exercised during the year	5,73,493	INR 63.00	12,54,180	INR 63.00
Options outstanding as at the year end	<u>15,57,524</u>	<u>INR 63.00</u>	<u>22,43,483</u>	<u>INR 63.00</u>
Exercisable as at year end	11,22,797		4,45,616	
Weighted - average contractual life	5.51 years		6.38 years	

C. Expense recognised in statement of profit and loss

For details on the employee benefits expense, refer note 29

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