

## SWARAJ ENGINES LIMITED

### **EMPLOYEES STOCK OPTION SCHEME – 2015**

The Swaraj Engines Limited Employees Stock Option Scheme-2015 (ESOS-2015) has been formulated by the Nomination and Remuneration Committee of Directors of Swaraj Engines Limited and approved by it in its meeting held on 25<sup>th</sup> June, 2015 and also approved by the Shareholders at Annual General Meeting of the Company held on 28<sup>th</sup> July, 2015 in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations 2014. ("SBEB Regulation").

#### **1. Purpose**

The objective of the ESOS-2015 is to use the scheme as a business strategy to enhance the Company's profitability by providing equity linked incentive to employees, so that the employees keep exploring possibilities of increasing the revenue, saving costs and enhancing the profits of the Company. With this objective in mind the ESOS-2015 will provide the employees with an additional incentive in the form of Options to receive the equity shares of the Company at a future date and motivate them to remain with the Company.

The Company proposes to issue and allot the shares in respect of the ESOS-2015 to its employees, in accordance with the directions and the recommendations of the Nomination and Remuneration Committee of the Company. On the exercise of the Options by the employees, the Company shall allot to the employees the equity shares in the Company in compliance with the SBEB Regulation as described below.

#### **2. Definitions**

The following terms as used herein shall have the meaning specified:

- (a) Associate Company shall have the same meaning as defined under section 2(6) of the Companies Act, 2013;
- (b) **Board or Board of Directors** means the board of directors of the Company.
- (c) **Company** means Swaraj Engines Limited, a Company incorporated under the provisions of the Companies Act, 1956

and having its Registered Office at Phase IV Industrial Area, S.A.S Nagar (Mohali), Punjab-160055.

(d) **Employee(s)** means:

- i. a permanent employee of the company who has been working in India or outside India; or
- ii. a director of the company, whether a whole time director or not but excluding an independent director; or
- iii. an employee as defined in clauses (i) or (ii) of a subsidiary, in India or outside India, or of a holding company of the company or of an associate company but does not include:

(a) an employee who is a Promoter or a person belonging to the Promoter Group; or

(b) a director who either himself or through his relative or through anybody corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the company;.

(e) **Eligible Employee(s) or Beneficiary(ies)** means all Employees, including employees of subsidiary / holding / associate company, if any, working for the Company, to whom an Option is granted under the ESOS-2015, or those Employees who satisfy the eligibility criteria for Grant of Options.

Provided however the directors nominated by an institution, if any, shall be eligible subject to their arrangement with the nominating institution.

(f) **Equity Share** means an equity share of the face value of Rs.10 (Rupees Ten only) each in the Company or where the equity share of the Company has been split up into a par value of less than Rs. 10 (Rupees Ten only), then the equivalent number of equity shares for the revised par value per equity share.

(g) **ESOS 2015:** means this “employee stock option scheme” adopted and implemented by the company pursuant to (i) resolutions of the Board of Directors of the Company dated

25<sup>th</sup> June, 2015 and the resolution dated 28<sup>th</sup> July, 2015 passed by the shareholders of the Company and means a scheme pursuant to the SBEB Regulation.

- (h) **Exercise** means the act whereby the Eligible Employee actually applies to the Company to purchase the Equity Shares underlying the Option vested in him/her under the ESOS-2015, in accordance with the procedure laid down by the Company.
- (i) **Exercise Application** means the application form as may be prescribed, in which the Eligible Employee has to apply to the Company for exercising the Options granted and vested to/in him/her.
- (j) **Exercise Date** means the date on which a Beneficiary exercises his/her Option to acquire the Equity Shares of the Company.
- (k) **Exercise Price** means the price at which the Eligible Employee is entitled to acquire the Equity Shares pursuant to the Options granted and vested in him/her under the ESOS-2015. The Exercise Price per Equity Share shall be decided by the Nomination and Remuneration Committee at the time of Grant of Options, provided that Exercise Price shall be equal to or not less than the face value of the shares. In determining the Exercise Price as aforesaid, the Nomination and Remuneration Committee shall take into consideration relevant factors prevalent at the time of grant which, among other things, would include the trend in the market price of the Company's shares quoted on the Stock Exchange, the concerned Employee's performance, the future potential contribution of the Employee, the regulations and guidelines prescribed by the Securities and Exchange Board of India or any other regulatory authority from time to time.
- (l) **Exercise Period** means the period specified by the Nomination and Remuneration Committee while recommending grant of options, not being later than five (5) years from the date of vesting, within which an Eligible Employee is entitled to exercise the Option vested in him/her to acquire the Equity Shares of the Company in accordance with the terms of this ESOS-2015.

- (m) **Grant** means the process whereby the Board of Directors or Nomination and Remuneration Committee passes a resolution in accordance with this ESOS-2015 granting a specified number of Options to the Eligible Employees.
- (n) **“Grant Date”** means the date on which the NRC committee approves the Grant;
- (o) **“Group”** means two or more companies which, directly or indirectly, are in a position to, —
  - (i) exercise twenty-six per cent. or more of the voting rights in the other company; or
  - (ii) appoint more than fifty per cent. of the members of the board of directors in the other company; or
  - (iii) control the management or affairs of the other company;
- (p) **Holding Company / Subsidiary Company** means the Holding or Subsidiary Company(ies) of the Company in accordance with the definition under the Companies Act, 2013 or any other act/amendment thereon.
- (q) **Letter of Grant** means the letter issued by the Company intimating the Eligible Employee of the Options granted to him/her for acquiring a specified number of Equity Shares from the Company at the Exercise Price.
- (r) **Long Leave** means Earned Leave, Maternity Leave and Study Leave as per the Company rules and practices.
- (s) **Market Price** means the latest available closing price, prior to the date of the meeting of the Nomination and Remuneration Committee in which grant of options are considered/shares are issued, on the stock exchange on which the shares of the Company are listed. In case the shares are listed on one or more stock exchanges, then the stock exchange where there is highest trading volume on the said date shall be considered.
- (t) **Option(s)** means a right but not an obligation granted under this ESOS-2015 to the Eligible Employees to exercise the right of being issued a specified number of Equity Shares of the Company, underlying the option(s), at a future date at the Exercise Price.

- (u) **Nomination and Remuneration Committee or (NRC)** means the Committee of Directors as constituted by the Board of Directors and entrusted with the authority to formulate and implement the ESOS-2015. The Board of Directors has, in its absolute discretion, power to change the composition of the Nomination and Remuneration Committee from time to time.
- (v) **Option Holder** means an employee having a right but not an obligation to exercise an Option ;
- (w) **Promoter** shall have the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (x) **Promoter Group** shall have the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009:  
  
Provided where the Promoter or Promoter Group of a company is a body corporate, the Promoters of that body corporate shall also be deemed to be Promoters of such company;
- (y) **Relative** shall have the same meaning as defined under section 2(77) of the Companies Act, 2013;
- (z) **Relevant Date** means,-  
  
(i) in the case of Grant, the date of the meeting of the compensation committee on which the grant is made; or  
  
(ii) in the case of exercise, the date on which the notice of exercise is given to the company;
- (aa) **SBEB Regulations** means the Securities Exchange Board of India ( Share Based Employee Benefits) Regulations 2014;
- (bb) **Vesting** means the process by which the employee is given the right to apply for shares of the company against the Option granted to him in pursuance of ESOS-2015.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Securities and

Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, the SEBI Act, 1992 or the Securities Contracts (Regulation) Act, 1956 or the Companies Act, 1956 (to the extent applicable) or the Companies Act, 2013 or the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended or any statutory modification or re-enactment thereof, as the case may be.

### **3. Nomination and Remuneration Committee**

- (1) The Nomination and Remuneration Committee shall grant Options based on the parameters and standards prepared and agreed by it. On the exercise of the Options by the Eligible Employees, the Company, as per the directions of the Board of Directors/Nomination and Remuneration Committee in this regard, shall distribute the Equity Shares in respect of such Options to the Eligible Employees. The Board of Directors shall be advised by the Nomination and Remuneration Committee in relation to the operation of the ESOS-2015. No member of the Nomination and Remuneration Committee shall be liable for any action or determination made by him/her in good faith.
- (2) Subject to the terms of the resolution passed by the shareholders of the Company at the Annual General Meeting held on 28<sup>th</sup> July, 2015, approving the issue of shares to the Employees under an Employees Stock Option Scheme and the regulations prescribed by the Securities and Exchange Board of India, the Nomination and Remuneration Committee in its absolute discretion has been authorised to determine all the terms governing the ESOS-2015 including but not limited to:
  - determining the Eligible Employees to whom the Options are to be granted;
  - the time when the Options are to be granted;
  - the number of tranches in which the Options are to be granted and the number of Options to be granted in each such tranche;
  - the quantum of Options to be granted at various points in time;
  - the criteria for determining the number of Options to be granted to the Eligible Employees;

- the number of Options to be granted to each Eligible Employee;
- the terms and conditions subject to which the Options granted would vest in the Eligible Employee;
- the date of vesting of the Options granted;
- the terms and conditions subject to which the Options vested would be exercisable by the Eligible Employee, including the Exercise of Option on termination and resignation by Eligible Employee and the treatment of unvested Options thereto;
- the conditions under which Options vested in Eligible Employees may lapse in case of termination of employment for misconduct;
- the date by which the Options have to be exercised by the Eligible Employee;
- the number of Options to be apportioned/allocated for various grades of Eligible Employees;
- assignment of weightage to length of service, grade and performance rating; and
- the number of Options reserved, if any, for granting to new employees who would join the services of the Company.
- framing of all other relevant and appropriate procedures for the Options and ensuring compliance with all the relevant provisions of applicable laws, regulations and guidelines.
- arranging to get the Equity Shares, issued under the ESOS-2015, listed on the Stock Exchanges on which the equity shares of the Company are already listed or may be listed in future.
- ensuring submission of information / reports, etc., in connection with the ESOS-2015, to the Stock Exchanges at stipulated periodical intervals or otherwise. and
- the procedure for making adjustments in relation to the Options in case of corporate actions such as rights issues,

bonus issues, sub-division of shares, merger, acquisition, sale of division etc.

- the recommendations, if any, to be made to the Company / other entity, as the case may be, from time to time on implementation of any or all the above matters;

The terms prescribed by the Nomination and Remuneration Committee shall be final and binding on all the Employees.

The Nomination and Remuneration Committee shall also frame suitable policies and systems to ensure that there is no violation of:

- a) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
- b) Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003

by any Employee.

With respect to any matters that are not specifically provided for, the Nomination and Remuneration Committee shall have absolute discretion to decide such matters in the manner deemed fit by it and any such decision of the Nomination and Remuneration Committee shall be binding on all Eligible Employees.

#### **4. Total number of Equity Shares in respect of which Options could be granted.**

The Subscribed and paid-up capital of the Company consists of 1,24,19,820 Equity shares of Rs.10 each as on 31<sup>st</sup> March, 2015. Under ESOS-2015, 31,000 Options convertible into 31,000 Equity Shares of the face value Rs.10 each are available for being granted to various Eligible Employees. 31,000 Equity Shares to be issued to the Eligible Employee for the purposes of the ESOS-2015 constitute 0.25% of the total subscribed and paid-up share capital of the Company as on March 31, 2015.

The Company reserves the right to issue further Equity Shares to the Eligible Employees at its discretion, for the purposes of the ESOS-



2015 or any further scheme/plan as may be determined by the Company, subject to compliance with the applicable laws.

The Nomination and Remuneration Committee is authorised to determine in its absolute discretion the number of tranches in which the Options may be granted to the Eligible Employees.

**5. Options allocated for various grades/groups of grades of Eligible Employees and for individual allotment based on length of service and/or grade and/or performance rating.**

The Company shall Grant Options to the Eligible Employees based on the recommendations of the Nomination and Remuneration Committee.

**6. Basis of determining the number of Options to be Granted**

The Nomination and Remuneration Committee may review and revise the criteria for eligibility as aforesaid in keeping with the needs of the business and remuneration policies.

The actual number of Options to be granted to each Employee would be in accordance with the criteria determined by the Nomination and Remuneration Committee in its absolute discretion.

The Nomination and Remuneration Committee may not recommend the Grant of any Options or may not recommend the vesting of Options already granted in the event the Eligible Employee has not performed up to the expectations or has not attended the office for a substantial period of the financial year of the Company or in case of misconduct of the Employee or in such other circumstances as it may deem fit in its absolute discretion.

The date of the meeting of the Nomination and Remuneration Committee for considering the grant of the Options would be the relevant date for determining the criteria for considering the Grant of Options.

**7. Vesting of the Options Granted**

The Options granted would vest within such time from the date of grant and in such number of instalments and subject to such terms as the Nomination and Remuneration Committee at the time of grant of the Options, subject to a minimum vesting period of one year.

Provided further that in the event of death or permanent incapacity of the employee to whom Options are granted, the minimum vesting period of one year shall not be applicable and in such instances, the options shall immediately vest to the legal representatives of the employee or the employee on the date of death or permanent incapacity respectively.

The maximum vesting period may extend up to five years from the date of grant of Options, unless otherwise determined by the Nomination and Remuneration Committee.

## **8. Procedure of Granting and exercising**

### **A. Grant**

The Company shall issue Letters of Grant within such time from the date of Grant as it may deem fit, containing such terms and conditions relating to the vesting and exercise of the Options as may be stipulated by the Nomination and Remuneration Committee and in particular the following:

- a. Employment Agreement: The Nomination and Remuneration Committee may, in its discretion, include in the terms of any Option granted under the ESOS-2015, a condition, that the Eligible Employee shall agree to remain in the employment of, and to render services to, the Company, for a period of time, specified in the Agreement, from the date of Grant. The grant of an Option shall, however, not impose upon the Company any obligation to employ the Eligible Employee for any period of time.
- b. Number of Equity Shares: Each Letter of Grant shall state the total number of Equity Shares underlying the number of Options granted.
- c. Vesting of Options: The Options granted pursuant to this ESOS-2015 shall vest in such number of tranches as determined by the Nomination and Remuneration Committee, subject to a minimum vesting period of one year except on death or permanent incapacity of employee to whom the options are granted. The Eligible Employee shall be entitled to exercise the Options only to the extent that the Options have vested in accordance with the Letter of Grant.

- d. No rights of Shareholders: An Eligible Employee shall not have any of the rights of a shareholder of the Company until the Equity Shares are issued and allotted to him upon exercise of Options, and, no adjustments may be made for dividends or other rights for which the record date is prior to the date such Equity Shares are issued and allotted to the Eligible Employee.
- e. No right to Transfer: the Options granted to an Eligible Employee shall not be transferable to any person. No person other than the Eligible Employee to whom the Option is granted, except as set out hereunder, shall be entitled, to the benefit arising out of such Option.

***B. Exercise***

- a. An Eligible Employee wishing to exercise the Options vested in him shall submit an application in the specified format to the Company along with a cheque/demand draft for the Exercise Price being the number of Options exercised multiplied by the Exercise Price per Equity Share as indicated in the Letter of Grant. Such cheque/demand draft should be drawn on any bank payable at Chandigarh/S.A.S.Nagar(Mohali)and shall be drawn in favour of "Swaraj Engines Limited".
- b. Save as provided in Clause 10, the Options vested in the Eligible Employee shall be exercised by him/her within such period as may be determined by the Nomination and Remuneration Committee while recommending the grant of options; provided that such period shall not exceed five (5) years from the date of vesting of options.
- c. The Nomination and Remuneration Committee may also determine the number of tranches in which the options granted may be exercised as also the minimum number of options that may be exercised in each tranche.
- d. The Options remaining unexercised at the end of the Exercise Period or such extended period as may be determined by the Nomination and Remuneration Committee shall lapse.

- e. For all Options exercised during 3 month period being either February 1 to April 30, May 1 to July 31, August 1 to October 31 or November 1 to January 31, the Company, shall take appropriate steps to allot the relevant number of Equity Shares as soon as possible but not later than one month from the expiry of aforesaid period and shall thereafter either deliver share certificates to the concerned employees for the relevant number of Equity Shares or credit the relevant number of Equity Shares to their designated depository account. The period aforesaid for grouping of Exercise and allotment / transfer of Equity Shares would be subject to review by the Nomination and Remuneration Committee from time to time.
  - f. The Nomination and Remuneration Committee may also determine the number of tranches in which the Options granted may be exercised as also the minimum number of Options that may be exercised in each tranche.
  - g. The Eligible Employees who wish to exercise the Options will have the right to include the names of their spouse, children and/or their parent(s) as the second and third holders of the shares to be issued and allotted consequent to the exercise of the Options.
- 9. Event of death/incapacitation of any Employee who has been Granted Options / Long leave**

Notwithstanding anything contained herein, in case of death or permanent disability of any Eligible Employee whilst in the service of the Company, the Options granted shall immediately vest to the legal representatives of the employee or the employee on the date of death or permanent incapacity respectively. These Options shall be exercised by the nominee(s)/ Eligible Employee as the case may be. The nomination shall be made in the form prescribed by the Company for this purpose.

In case of the death of any Eligible Employee who has, not nominated any person(s), the remaining Options will immediately vest in and shall be exercised by the successor(s) of such Employee, provided however that the successor(s) shall be required to produce to the Company all such documents as may be required by the Company to prove the succession to the assets of the deceased Eligible Employee. In case the proof of the succession is not produced to the Company within one year from the date of death of the Eligible

Employee or such further time as the Nomination and Remuneration Committee may permit in its absolute discretion, the Options shall lapse.

Where an Eligible Employee has been granted a long leave, then the Employee shall be entitled to retain all the Options vested in him at the time of going on long leave and exercise the Options in accordance with this ESOS-2015. Vesting of all options granted to such employee which are not vested at the time of commencement of long leave shall remain suspended during such long leave period and vesting of such options would recommence subject to the following -

- (1) Eligible Employee rejoining and resuming the contract of employment; and
- (2) Eligible Employee fulfilling terms and conditions, in respect of Long Leave, prescribed by the Company.

#### **10. Event of termination of service of the Employee who has been Granted Options**

##### ***a. Due to resignation of the Employee***

In case of termination of the services of the Eligible Employee due to resignation, the Options granted but not vested shall automatically lapse forthwith on submission of the resignation by the Eligible Employee.

However, the Options vested in an Eligible Employee who has resigned from the services of the Company, or, as the case may be, a subsidiary /associate/ affiliate /group company, but not exercised by him could be exercised by such Eligible Employee in accordance with the Exercise Period specified in the Letter of Grant, PROVIDED such Eligible Employee does not engage in any capacity with any company or entity which is in similar business as that of the Company or its subsidiary / associate/ affiliate /group company that such Employee has worked with or has been associated with, without the prior written approval of the Company.

For the purposes of this clause, ***resignation*** means voluntary cessation of employment otherwise than on retirement or early retirement as defined/referred to in sub clause (d) below.

***b. Due to dismissal or discharge for misconduct of the Eligible Employee***

In case of termination of the services of the Eligible Employee due to dismissal for misconduct of the Eligible Employee, the Nomination and Remuneration Committee, shall cancel the Options granted but not vested and/or Options vested but not exercised by such Eligible Employee.

***c. Due to discharge for reasons other than misconduct of the Eligible Employee***

In case of termination of the services of the Eligible Employee due to discharge for any reason other than misconduct of the Employee or resignation by the Employee or Early Retirement or normal retirement, the terms relating to vesting and exercise shall be determined by the Nomination and Remuneration Committee.

***d. Due to retirement / superannuation of the Eligible Employee***

In case the Eligible Employee retires / superannuates from the Company or its subsidiary / associate/ affiliate /group company(ies) pursuant to reaching the age of retirement / superannuation as prescribed by the Company or its subsidiary / associate/ affiliate /group company(ies) as the case may be, the Options not vested in the Eligible Employee on the date of retirement / superannuation shall notwithstanding such retirement / superannuation vest in and be exercisable by such Eligible Employee in accordance with the vesting schedule and the Exercise Period specified in the Letter of Grant, PROVIDED such Eligible Employee does not engage in any capacity with any company or entity which is in similar business as that of the Company or its subsidiary / associate/ affiliate /group company that such Employee has worked with or has been associated with, without the prior written approval of the Company.

However, the Options vested in the Eligible Employee who has retired / superannuated from the services of the Company or its subsidiary / associate/ affiliate /group company(ies) but not exercised by him could be exercised by such Eligible Employee in accordance with the Exercise Period specified in

the Letter of Grant, PROVIDED such Eligible Employee does not engage in any capacity with any company or entity which is in similar business as that of the Company or its subsidiary / associate/ affiliate /group company that such Employee has worked with or has been associated with, without the prior written approval of the Company.

In case an Eligible Employee who has been granted Options, opts for Early Retirement otherwise than under a Scheme of Voluntary Retirement, all Options that are not vested in the Eligible Employee on the date on which the Eligible Employee so retires shall lapse. However, the Options vested but not Exercised by an Eligible Employee who has opted for Early Retirement otherwise than under a Scheme of Voluntary Retirement shall be exercised by such Eligible Employee in accordance with the Exercise Period specified in the Letter of Grant, PROVIDED such Eligible Employee does not engage in any capacity with any company or entity which is in similar business as that of the Company or its subsidiary / associate/ affiliate /group company that such Employee has worked with or has been associated with, without the prior written approval of the Company.

***e. Employees who are transferred to subsidiary / associate/ affiliate /group company(ies)***

In case of services of an Eligible Employee to whom Options have been granted, are transferred by the Company to one of its subsidiary / associate/ affiliate /group company(ies) or vice versa prior to the date of vesting of all Options granted, such Unvested Options in the company transferring him would be converted into the equivalent Long Term Incentive of the company to which he is being transferred.

At no point in time, an employee can avail of the scheme in two companies

***f. Notwithstanding the above, the Nomination and Remuneration Committee, in its absolute discretion shall have the authority to waive the aforesaid restriction relating to the subsequent vestings.***

- g.** In case of termination of the services of the Eligible Employee due to his/her retirement pursuant to a scheme of voluntary retirement as formulated by the Company, the terms relating to vesting and exercise shall be framed by the Nomination and Remuneration Committee.

**Explanation :-**

For the purposes of clauses (a), (d) and (e) above,

- (i) the decision of the Nomination and Remuneration Committee in ascertaining as to whether the company or entity with which the concerned Employee is / has been associated is in similar business as that of the Company, its subsidiary or associate/ affiliate/ group company(ies) shall be final and binding on all concerned; and
- (ii) in case of any doubt the Nomination and Remuneration Committee, shall have the authority to determine whether a company is an associate or an affiliate or a group company of the Company and such decision shall be final and binding on all concerned.

**11. Suspended Employees and Employees under enquiry**

In case an Eligible Employee has been suspended or in case of an Eligible Employee against whom an enquiry is being conducted for any reason,

- (i) all Options which have not vested in such employees on the date of suspension or commencement of enquiry shall stand suspended and shall not vest; and
- (ii) all Options which have vested but not exercised shall not be exercisable

until the enquiry is completed.

At the conclusion of such an Enquiry –

- (a) If the Eligible Employee is found guilty of misconduct under any such enquiry, the provisions of clause 10(b) above shall apply;
- (b) If the Eligible Employee is acquitted of the charges framed against him, all options which were due for vesting / exercise and



have not been vested or exercised in view of the suspension of such Eligible Employee or pendency of an enquiry shall vest in him and be exercisable subject to the other provisions of ESOS-2015 within such period as the Nomination and Remuneration Committee may determine.

## **12. Lapsed/cancelled Options**

When an Option lapses and/or is cancelled under any of the circumstances mentioned above, the same shall be added back to the Pool, then the Eligible Employee shall have no right, title or interest in respect thereof or any claim or demand of any nature whatsoever against the Company. In the event of the lapse/cancellation of any Options, the Nomination and Remuneration Committee shall be entitled, to issue fresh Options in lieu of the lapsed/cancelled Options, and grant such Options to such Eligible Employees as recommended by the Nomination and Remuneration Committee.

## **13. Other conditions**

- (a) The Eligible Employee shall not, directly or indirectly, sell, pledge, assign, encumber in any manner whatsoever or otherwise transfer or dispose of (hereinafter collectively referred to as 'alienation') all or any unexercised portion of the Options or the rights and benefits attached thereto.
- (b) On the grant of Options, the same shall be issued and handed over to the Eligible Employees and shall remain in the custody of the Eligible Employees. When the Eligible Employee wishes to exercise conversion of the vested Options it shall be required to lodge the said Options with the Company along with the Conversion Application as appended hereto as Annexure II.
- (c) There is no lock-in period and accordingly the Shares acquired by an Eligible Employee under this Scheme can be sold by him at any time.
- (d) If any bonus and/or rights Equity Shares are issued by the Company or the Equity Shares of the Company are split up reducing the face value per Equity Share, then the Nomination and Remuneration Committee, make a fair and reasonable

adjustment to the number of outstanding Options and/or to the Exercise Price.

Similarly, if the Company takes any action which in the opinion of the Nomination and Remuneration Committee requires any adjustment to the number of outstanding Options and/or the Exercise Price, then the Nomination and Remuneration Committee, make a fair and reasonable adjustment to the number of outstanding Options and/or to the Exercise Price.

- (e) The Options granted herewith shall not be affected by any takeover by/of, merger with, or amalgamation of any other entity with the Company or in the event of restructuring of the capital of the Company. In such an event, the Nomination and Remuneration Committee shall have the authority to alter all or any of the terms relating to the Grant and would also have the authority to do all such acts and deeds as it may deem fit in its absolute discretion and as permitted under law, so as to ensure that the benefits under the Grant are passed on to the Eligible Employees.
- (f) The date of exercise of Options shall be the date on which the Eligible Employee submits the Exercise Application (complete in all respects) for exercising the Options granted to him, to the Company.
- (g) Participation in this Scheme shall not be construed as any guarantee of return on the equity investment. Any loss due to fluctuations in the market price of the equity and the risks associated with the investment are that of the Eligible Employee.
- (h) The Shares issued on the conversion of the Options shall be listed on such Stock Exchanges, where the equity shares of the Company are listed, subject to the terms and conditions of the Listing Agreement.
- (i) The Eligible Employee holding Options under the Scheme shall not divulge the details of the Scheme and his holding to any person except with the prior written permission of the Company.

- (j) Grant, vesting and exercise of Options will be liable to tax, if any, in the hands of the Eligible Employee in accordance with the provisions of the Income-tax Act, 1961 and the Rules framed there under from time to time. The Company will deduct tax at source, wherever necessary, from any payments to the Employee concerned in respect of his entitlements under the ESOS-2015. Further, the Company shall notwithstanding anything contained in this Scheme or any other agreement or scheme for granting of Options to the Employee concerned, have the right to recover from such Employee (including former Employee) an amount equivalent to any tax, cess, levy, or assessment, by whatever name called including, without limitation, Fringe Benefit Tax, levied upon or payable whether by the Company or by the employer of such Eligible Employee as the case may be, in respect of or in relation to such Options.

The decision of the Nomination and Remuneration Committee on any of the above matters including the date of exercise of Options will be final and binding on the Eligible Employees.

#### **14. Reservation of Equity Shares**

The Nomination and Remuneration Committee, during the term of this ESOS-2015, shall issue and allot, and will seek or obtain, from any regulatory authority having jurisdiction, any approval or consent necessary to issue and allot the Equity Shares to the Eligible Employees. The inability of the Board of Directors to obtain from any regulatory authority the requisite approval or consent for the lawful issuance and allotment of the Equity Shares hereunder shall relieve the Company of any liability in respect of the failure to issue or allot the Equity Shares.

#### **15. Effective Date of the ESOS-2015**

The ESOS-2015 shall be effective from the date that the ESOS-2015 is approved by the Nomination and Remuneration Committee and shall continue in effect till its termination by the Nomination and Remuneration Committee.

#### **16. Compliance**

The provisions of the ESOS-2015 comply with the SBEB Regulations and are always intended to be in line with these SBEB Regulations .

In the event any of the provision of the ESOS-2015 conflict with the SBEB Regulations, the provisions contained in the SBEB Regulations will prevail.

**17. Surrender of Options:**

(i) An Employee may surrender his vested / unvested options at any time during his employment with the Company.

(ii) Any Employee willing to surrender his Options shall communicate the same to the Nomination and Remuneration Committee in writing. Thereafter the surrendered options shall either expire and stand terminated or revert to the ESOS, at the discretion of the Nomination and Remuneration Committee, with effect from the date of surrender of options. All such Options so surrendered and reverted to the ESOS may be granted further at the discretion of the Nomination and Remuneration Committee to any other Eligible Employee. There shall be no further obligation in regard those Options which have been terminated.

**18. Exit Mechanism**

(i) The Employee would be entitled to transfer the Equity Shares at any time in accordance with the provisions of the Articles of Association of the Company and the applicable laws.

(ii) In future, the Company may, but is not obliged to, buy back the whole or any part of the Equity Shares from its shareholders, including Employees, in accordance with the provisions of the Companies Act, 2013 and other applicable law, including any modification or re-enactment thereof.

**19. Method of Valuation**

The Company follows the intrinsic value method for computing the compensation cost, if any, for the Options granted. The difference between the compensation cost so calculated and compensation cost that would have been recognized if the company had used fair value method and its impact on the profits and earnings per share would be disclosed in the Directors' Report.

**20. Disclosure and accounting policies**

The Company will comply with the disclosure and accounting policies prescribed by the Securities and Exchange Board of India and any other appropriate authority, from time to time.

**21. Right to modify the scheme**

(a) The Board / Committee shall have the absolute authority to vary or modify the terms of the Scheme in accordance with the Regulations, unless such variation, modification or alteration is detrimental to the interests of the Employees.

(b) Further, the Company may re-price the Options which have yet not been exercised by the Employees, whether or not they have been vested, if the Options are rendered unattractive due to fall in the share price in the stock market.

Provided that the Company shall, subject to approval of its shareholders in general meeting, ensures that such repricing is not detrimental to the interest of the Employees.

**22. Representation**

Neither the Company nor the Nomination and Remuneration Committee makes any representation regarding the performance of the Company or the future value of the Equity Shares. Each Employee should take the decision to exercise the Options granted to him/her after considering all the provisions of this ESOS - 2015 and other relevant factors.

The grant of the Options shall not be construed as giving an Option Holder the right to be retained in the employment of the Company. The ESOS - 2015 shall not form part of any contract of employment between the Company and the Option Holder. The right and obligations of the Option Holder under the terms of his office or employment with the Company shall not be affected by his participation in the ESOS – 2015. Nothing in the ESOS - 2015 shall confer or be construed as affording an Option Holder any additional rights as to compensation or damages in consequence of the termination of such office or employment for any reason.

**23. No restriction on corporate action**

The existence of the ESOS 2015 and the issue of Shares made hereunder shall not in any way affect the right or the power of the Board or the Shareholders of the Company to make or authorise any change in capital structure; including any issue of shares, debt or other securities having any priority or preference with respect to the shares or the rights thereof or from making any corporate action which is deemed to be appropriate or in its best interest, whether or not such action would

have an adverse effect on the ESOS 2015. No Employee or other person shall have any claim against the Company as a result of such action.

#### **24. New Schemes**

Nothing contained in this ESOS 2015 shall be construed to prevent the Company from implementing any other new scheme for granting stock options and/or share purchase rights or any other equity based incentive scheme, which is deemed by the Company to be appropriate or in its best interest whether or not such action would have any adverse impact on the ESOS 2015. No Employee or other person shall have any claim against the Company as a result of such action.

#### **25. Dispute Resolution**

Any dispute, discrepancy or disagreement which shall arise under, or as a result of, or pursuant to, or in connection with this ESOS 2015 shall be referred to the Nomination and Remuneration Committee and shall be determined by the NRC and any such determination, decision and/or interpretation by the Remuneration/Compensation Committee shall be final and binding on all persons affected thereby.

#### **26. Applicable Laws**

(i) The provisions of the ESOS 2015 comply with the provisions of the, Companies Act, 2013. The Regulations and the Income-tax Act, 1961.

(ii) The ESOS 2015 would be subject to all applicable laws at present and those which may become applicable in the future. In order to comply with any such law(s), if it is necessary to modify any of the provisions contained herein, then the Company shall be entitled to suitably vary the terms of the ESOS 2015 by a special resolution in a general meeting of the members of the Company.

(iii) In respect of the ESOS 2015, the Company shall conform to the applicable Accounting Policies.