

**Elgi Equipments Limited
Amended Employees Stock Option Plan (ESOP), 2019**

**ARTICLE 1
TITLE**

This Plan shall be called the Amended Elgi Equipments Limited Employees Stock Option Plan, 2019 (Plan).

**ARTICLE 2
AUTHORITY**

This Plan has been recommended by the Board of Directors pursuant to resolution passed at its meeting held on 27th May, 2024 and subject to the approval by the Members of Elgi Equipments Limited ('the Company') at the Annual General Meeting to be held on 31st July, 2024 .

**ARTICLE 3
OBJECTS**

The objects of the Plan are:

- 1) To provide means to enable the Company and its subsidiaries to attract, retain and reward appropriate human talent in its employment and its holding company/subsidiaries, respectively; and
- 2) To create a sense of ownership and participation amongst the employees of Elgi Equipments Limited.

**ARTICLE 4
DEFINITIONS & INTERPRETATIONS**

I. Definitions:

In this instrument, the following expressions including their grammatical variations and cognate expressions shall, unless, repugnant to the context or meaning thereof, have the meaning assigned to them respectively hereunder:

- 4.1 "Act" means the Companies Act, 2013, read with the Companies (Share Capital and Debenture) Rules, 2014, the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, or any statutory modification or re-enactment thereof.
- 4.2 "Adoption Date" means the date this Plan is adopted by the Company by passing a special resolution.
- 4.3 "Associate Company" shall have the same meaning as defined under Section 2(6) of the Companies Act, 2013.
- 4.4 "Board of Directors" or "Board" means the Board of Directors for the time being of the Company or any Committee thereof and where the context so requires shall include the Board of Directors of a subsidiary company.

- 4.5 “Change in Capital Structure” means a change in the capital structure of the Company as a result of re-classification of shares, splitting up of the face value of shares, sub-division of shares, issue of bonus shares, conversion of shares into other shares or securities of the Company and any other change in the rights or obligations in respect of shares.
- 4.6 “Company” means Elgi Equipments Limited, a Company incorporated under the Companies Act, 1956 and having its registered office at "Elgi Equipments Limited" Elgi Industrial Complex III, Trichy Road, Singanallur, Coimbatore – 641 005, and its successors and assigns.
- 4.7 “Compensation Committee or Nomination and Remuneration Committee” means the Nomination and Remuneration Committee constituted under Section 178 of the Companies Act, 2013 and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time and acting as the Compensation Committee and designated to administer and supervise the Plan and having such powers as specified under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended, and as specified under the said Plan;
- 4.8 “Corporate Action” means one of the following events:
- (i) the merger, de-merger, spin-off, consolidation, amalgamation, sale of business, dissolution or other reorganization of the Company (including any investment from any private equity investor and/or venture capital fund and any internal group restructuring or reorganization which would include any restructuring or reorganization at an overseas group level as well) in which the shares are converted into or exchanged for:
 - a) a different class of securities of the Company; or
 - b) any securities of any other issuer; or
 - c) cash; or
 - d) other property,
 - (ii) the sale, lease or exchange of all or substantially all of the assets or undertaking of the Company.
 - (iii) the adoption by the shareholders of the Company of a scheme of liquidation, dissolution or winding up.
 - (iv) acquisition (other than acquisition pursuant to any other sub-clause of this clause) by any company, person, entity or group of a controlling stake in the Company. For this purpose ‘Controlling Stake’ shall mean more than 50% of the voting share capital of the Company
 - (v) in case of sale of shares by Promoter/ Promoter Group in excess of 30% of the total paid-up share capital of the Company.
 - (vi) in the event of delisting of shares of the Company, either voluntary or compulsory, from the stock exchanges.
 - (vii) any other event, which in the opinion of the Board has a material impact on the business of the Company.

- 4.9 “Date of Grant” means the date on which Nomination and Remuneration Committee grants Options to Eligible Employees under Article 10 of this Plan.
- 4.10 “Elgi Equipments Limited Employees Stock Option Trust” means a trust established under the provision of Indian Trusts Act, 1882 including any statutory modification or re-enactment thereof, for implementing this plan.
- 4.11 “Eligible Employee” means an employee as determined by the Nomination and Remuneration Committee to be entitled to Grant of ESOP.
- 4.12 “Employee” means an employee as defined in the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended, and includes:
- 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
- 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 any body corporate, directly or indirectly, holds more than ten per cent of the outstanding equity shares of the Company;
- 4.13 “Employer” means the Company, its holding Company, any of its subsidiary companies or Group companies.
- 4.14 “Exercise” means making of an application by Eligible Employee to the Company or the ELGi Equipments Limited Employees’ Stock Option Trust as mentioned in Clause 8.1 below for issue of shares against Vested Options in pursuance of this Plan.
- 4.15 “Exercise Application” means the application form as may be prescribed, in which the Option grantee has the Option to Exercise its right under this Plan.
- 4.16 “Exercise Date” means the date on which Option is Exercised by the Option grantee.
- 4.17 “Exercise Notice” means an Exercise notice given by Eligible Employee under Article 12 of this Plan.
- 4.18 “Exercise Period” means three months after the date of Vesting within which an Eligible Employee should Exercise his right to apply for shares of the Company against Vested Options in pursuance of this Plan.
- “Exercise Price” means the price, payable by the Eligible Employee for exercising the Option granted to him in pursuance of this plan.
- 4.19 “Grant” means the process by which the Company issues Options under this Plan.

- 4.20 “Grant Date” means the date on which the Nomination and Remuneration Committee approves the Grant.
- 4.21 “Grant Letter” means the letter issued by the Nomination and Remuneration Committee intimating the Eligible Employee of Grant of specified number of Options, based on certain pre-determined criteria.
- 4.22 “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
- 4.23 “Independent Director” shall have the same meaning assigned to it under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
- 4.24 “Key Managerial Personnel” shall have the same meaning as defined under section 2(51) of the Companies Act, 2013
- 4.25 “Market Price” means the latest available closing price on a recognized stock exchange on which the shares of the Company are listed on the date immediately prior to the Relevant Date.
- Explanation - If such shares are listed on more than one stock exchange, then the closing price on the stock exchange having higher trading volume shall be considered as the Market Price.
- 4.26 “Option” means the Option given to an Eligible Employee which gives him a right to purchase, at a future date, the shares of the Company, through ELGi Equipments Limited Employees Stock Options Trust, at a pre-determined price.
- 4.27 “Option grantee” means an Eligible Employee having a right but not an obligation to Exercise an Option in pursuance of this Plan.
- 4.28 “Performance Condition” means a condition as laid by Nomination and Remuneration Committee that must be satisfied before an Option can be granted.
- 4.29 “Permanent Incapacity” or “Permanent Incapacitation” means such disablement of a permanent nature as incapacitates an Employee for all work which he/she was capable of performing at the time of the accident resulting in such disablement, as confirmed through a medical certificate of an expert acceptable to the Nomination and Remuneration Committee.
- 4.30 “Plan” means the amended Elgi Equipments Limited Employees Stock Option Plan, 2019 as set out herein and as amended or modified from time to time under which the Company grants Option to Eligible Employees.
- 4.31 “Promoter” shall have the same meaning assigned to it in clause (oo) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended.

- 4.32 “Promoter Group” shall have the same meaning assigned to it in clause (pp) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended.
- 4.33 “Recognized stock exchange” means a recognized stock exchange as defined in clause (f) of Section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);
- 4.34 “Relative” shall have the same meaning as defined under section 2(77) of the Companies Act, 2013.
- 4.35 “Relevant Date” means:
- (i) in the case of Grant, the date of the meeting of the Nomination and Remuneration 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 or to the ELGi Equipments Limited Employees Stock Options Trust by the Eligible Employee;
- 4.36 “Resultant securities” means the underlying benchmarking shares or other securities issued in lieu of shares of the Company, on any “Change in Capital Structure” or on any “Corporate Action”.
- 4.37 “Securities” means securities as defined in clause (h) of Article 2 of the Securities Contracts (Regulation) Act, 1956 and includes hybrids, derivatives and units or any instrument which entitles the owner to be allotted any kind of property, or payment of money in lieu thereof at a future date;
- 4.38 “SEBI” means the Securities and Exchange Board of India constituted under Securities and Exchange Board of India Act, 1992, as amended.
- 4.39 “SEBI Regulations” means the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended.
- 4.40 “Secondary acquisition means acquisition of existing shares of the Company by the ELGi Equipments Limited Employees Stock Options Trust on the platform of a recognised stock exchange for cash consideration.
- 4.41 “Share” means the equity shares of the Company of a nominal face value of Re.1 each.
- 4.42 “Superannuation” in relation to an Employee means-
- (a) The attainment by the Employee of such age as is fixed in the condition of service as the age on the attainment of which the Employee shall vacate his employment; and
 - (b) In any other case, the attainment by the Employee of the age of sixty years.
- 4.43 “Termination” means the cessation of employment prior to the date of retirement / superannuation of an Employee at the instance of the Employer.

- 4.44 “Trustee means the trustee of the trust but excludes:
- i) a director, key managerial personnel or promoter of the Company or its holding, subsidiary or Associate Company or any relative of such director, key managerial personnel or promoter; or
 - ii) Beneficially holds ten percent or more of the paid-up share capital of the Company.
- 4.45 “Unvested Option” means an Option in respect of which the relevant Vesting period is not over.
- 4.46 “Vested Option” means an Option in respect of which the relevant Vesting period is over.
- 4.47 “Vesting” means the process by which an Option grantee becomes entitled to receive the benefit of a Grant made to him under this Plan.
- 4.48 “Vesting Date” in relation to Option means the earliest date on which the rights under the Options may be Exercised by an Option grantee.
- 4.49 “Vesting Period” means the period during which the Vesting of Options granted under this Plan takes place.
- 4.50 All other expressions unless defined herein shall have the same meaning as have been assigned to them under the SEBI Regulations, Securities and Exchange Board of India Act, 1992 or the Securities Contracts (Regulation) Act, 1956 or the Companies Act 2013 and any statutory modification or re-enactment thereof, as the case may be.
- 4.51 Any dispute, discrepancy or disagreement which shall arise under or as a result of, or pursuant to or in connection with the Plan shall be referred to the Nomination and Remuneration Committee and shall be determined by the Nomination and Remuneration Committee and such determination/ decision/ interpretation by the Nomination and Remuneration Committee shall be final and binding on the persons affected thereby.

II Interpretation:

In this document, unless the contrary intention appears:

- a) the singular includes the plural and vice versa;
- b) the word “person” includes an individual, a firm, a body corporate or unincorporated or any authority; and
- c) any word or expression importing the masculine, feminine or neuter genders only, shall be taken to include all three genders.

III Article Headings:

Article headings are for information only and shall not affect the construction of this document.

IV References:

- a) A reference to a Clause or Schedule is respectively a reference to a Clause or Schedule of this document. The Schedules to this document shall for all purposes form part of this document.

- b) A reference to any Act Rules, Statute or Notification shall include any statutory modification, substitution or re-enactment thereof.

ARTICLE 5 IMPLEMENTATION

- 5.1 The Plan shall be implemented by the Nomination and Remuneration Committee formed by the Company under the broad policy and framework as may be decided from time to time.

ARTICLE 6 EFFECTIVE DATE AND PLAN DURATION

- 6.1 The Amended Plan shall be deemed to come into force with effect from 31st July, 2024, pursuant to the approval of the Members vide Special Resolution to be passed at the Annual General Meeting to be held on 31st July, 2024.
- 6.2 The Plan shall be terminated, and no Options shall be granted under the Plan after the last date of the Exercise Period (not later than _____).
- 6.3 If any Option granted under the Plan lapses or is forfeited under any provision of the Plan, such Option shall be available for further grants under the Plan. After the closing date, the Plan shall remain in effect until all the Options granted under the Plan shall have been exercised or shall have expired by reason of lapse of time or otherwise, whichever is earlier.

ARTICLE 7 NOMINATION AND REMUNERATION COMMITTEE

- 7.1 This Plan shall be operated and administered by the Nomination and Remuneration Committee, as designated by the Board of Directors to perform the functions of a Compensation Committee, under the guidelines prescribed by SEBI or any other authority in this regard. All questions of interpretation, dispute, discrepancy or disagreement, which shall arise under, or as a result of, or pursuant to, or in connection with the Plan or any employee stock option shall be referred to the Nomination and Remuneration Committee and shall be determined by the Nomination and Remuneration Committee and such determination/ decision/ interpretation shall be final and binding upon all persons having an interest in or affected by the Plan or such Employee Stock Option.
- 7.2 The Committee shall have a right to delegate or authorize any officer of the Company, if required and subject to the extent allowed under the Applicable Laws, such power to do specific acts and things without limitation to the listing of Shares on recognized Stock Exchange(s) arising pursuant to Exercise of Vested Options, execution and submission of various document(s) to recognized Stock Exchange(s) or any other authority or institution as may be deemed necessary in connection with the Plan.
- 7.3 The Nomination and Remuneration Committee shall frame suitable policies and procedures to ensure that there is no violation of securities laws, as amended from time to time, including Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices

Relating to the Securities Market) Regulations, 2003 by the ELGi Equipments Limited Employees Stock Options Trust , the Company and its Employees, as applicable.

7.4 Powers of the Nomination and Remuneration Committee (exercised on its own or through the ELGi Equipments Limited Employees Stock Options Trust , *inter-alia*, include the power to:

- a) determine the quantum of Options to be granted at various points in time and the criteria for determining the number of Options to be granted to Employees, within the ceiling as approved by the shareholders.
- b) determine whether Options are to be Vested in a particular year/ tranche based on the performance of the Option grantee/ turnover of the Company.
- c) assignment of weightage to Company's performance/ Nomination and Remuneration/ longevity/ ranking of the Employee.
- d) determine the number of Options to be granted, to each Eligible Employee and in the aggregate, and the times at which such grants shall be made.
- e) determine the Eligible Employees / category of Employee to whom Options will be granted.
- f) lay down the performance condition required to be fulfilled, either by the Company or by the Eligible Employees, prior to Exercise.
- g) lay down the conditions under which Options may lapse in case of termination of employment for misconduct etc.
- h) determine the Grant price and/or the Exercise Price.
- i) determine the Exercise Period before which the Option grantee should Exercise the Options and that Options would lapse on failure to Exercise the same before Exercise Date.
- j) specify the time period within which the Options grantee shall Exercise the Options in the event of termination or resignation of Option grantee.
- k) lay down the procedure for making a fair and reasonable adjustment to the number of Options and to the Exercise Price in case of Corporate Action.
- l) provide for the right of Option grantee to all the Options available for Exercise at one time or at various points of time within the Exercise Period.
- m) lay down the method for satisfaction of any tax obligation arising in connection with Options.
- n) provide for the Grant, Vesting and Exercise of Options in case of Employee who are on long leave or whose services have been seconded to any other Company or who have joined any other Subsidiary or other Company at the instance of the Employer Company.
- o) Subject to any minimum vesting period as prescribed under SEBI Regulations, as amended, determine the Vesting period and/or accelerate the Vesting, if it may deem as appropriate.
- p) frame appropriate procedure for granting, Vesting and exercising of Options.
- q) cancel or reissue of Options granted under the Plan to the Option grantees.
- r) re-value or reprice the Options granted to the Eligible Employees.
- s) Appointment of Trustees for the Trust to be setup for the purpose of the Plan. .
- t) Recommend the appointment/ removal of Auditors for auditing the account of the ELGi Equipments Limited Employees Stock Options Trust .

7.5 The number of members of the Committee and their powers and functions can be specified, varied, altered or modified from time to time by the Board of Directors, subject to rules and regulations as may be in force. The Board may further provide that the Committee shall exercise certain powers only after consultation with the Board and in such case said powers shall be exercised accordingly.

7.6 No member of the Committee shall be personally liable for any decision or action taken in good faith with respect to the Plan.

- 7.7 A member of the Committee shall abstain from participating in and deciding any matter relating to Grant of any Options to him.
- 7.8 The Nomination and Remuneration Committee is empowered to formulate detailed terms and conditions of the Plan, delegate, administer and supervise the same through ELGi Equipments Limited Employees Stock Options Trust.

ARTICLE 8 CREATION OF TRUST

- 8.1 The Nomination and Remuneration Committee may set up an Irrevocable ELGi Equipments Limited Employees Stock Options Trust (“ the Trust”) and appoint Trustees *inter-alia* for implementation of the Plan, administration of the Plan, financing and holding the shares for the benefit of the Eligible Employees as well as for funding the Employees to Exercise the Options of the Company in accordance with the terms and conditions of this Plan.
- 8.2 Where individuals or ‘one person companies’ as defined under section 2(62) of the Companies Act, 2013 are appointed as Trustees, there shall be a minimum of two such Trustees, and in case a corporate entity is appointed as a Trustee, then it may be the sole Trustee.
- 8.3 The Trust Deed shall contain the minimum provisions as provided in the Regulation 3 of SEBI Regulations.
- 8.4 The Trust Deed will also provide, *inter-alia*, that the Trustees would hold the funds and other assets of the Trust for implementation of the objectives of this Plan in accordance with this Plan from time to time, as may be approved by the Nomination and Remuneration Committee.
- 8.5 The Trust Deed will authorize the Trustees to borrow funds from the Company, its employees, outside lenders including trusts, banks and finance companies, for the purpose of purchasing the shares of the Company and financing the Eligible Employees to subscribe to and / or hold the shares of the Company as permissible under law.
- 8.6 The Trust shall not acquire from secondary market, in any financial year, shares exceeding two percent of the paid-up Equity Capital (including expanded capital as applicable), to the extent as approved by the shareholders, as at the end of the financial year immediately preceding the year of acquisition.
- 8.7 The total number of shares held by Trust (duly acquired from secondary market) shall at no time exceed five percentage of the paid-up Equity capital (including expanded capital as applicable) as at the end of the financial year immediately prior to the year in which the shareholder approval is obtained for such secondary acquisition.
- 8.8 In case the Company has multiple Trusts and Schemes, the aforesaid ceiling limit shall be applicable for all such Trusts and Schemes taken together at the Company level.
- 8.9 The aforementioned ceiling limits shall not be applicable in the case of new issue of shares by the Company to the Trust or gift from promoter or promoter group or other shareholder to the Trust.
- 8.10 In the event that the Options granted under this Plan exceeds the number of shares that the Trust may acquire through secondary acquisition or the ceiling limits mentioned above, then such

shortfall of shares shall be made up by the Company through new issue of shares to the Trust in accordance with the provisions of new issue of shares under the applicable laws.

- 8.11 In case shares are allotted to the Trust by way of new issue by the Company, the prescribed compliance requirement (obtaining In-Principle approval from the Recognized stock exchange) would need to be adhered.
- 8.12 The un-appropriated inventory of shares which are not backed by grants, acquired in secondary market and held by the Trust under this Plan, shall be appropriated within a reasonable period which shall not extend beyond the end of the subsequent financial year or the second subsequent financial year subject to the approval of the Nomination and Remuneration Committee.
- 8.13 The Trust shall be required to hold the shares acquired in secondary market for a minimum period of six months except under certain circumstances prescribed under the Regulation 3 of SEBI Regulations.
- 8.14 The Trust shall be permitted to undertake off-market transfer of shares only under certain circumstances prescribed under Regulation 3 of SEBI Regulations.
- 8.15 The Trust shall maintain accounts and shall appoint a Chartered Accountant Firm (as instructed by the Nomination and Remuneration Committee) to conduct an audit and provide a report on the accounts of the Trust on an annual basis.
- 8.16 The Trust shall not deal in derivatives and shall only undertake delivery based transactions for the purpose of secondary acquisitions.
- 8.17 The Trust shall not become a mechanism for trading in shares and hence shall not sell the shares in the secondary market except under the circumstances prescribed under Regulation 3 of SEBI Regulations.
- 8.18 The Trust shall be required to make disclosures and comply with the other requirements applicable to insiders or promoters under the SEBI (Prohibition of Insider Trading) Regulations, 2015 or any modification or re-enactment thereto.

ARTICLE 9 APPRAISAL AND ELIGIBILITY OF AN EMPLOYEE

- 9.1 As soon as may be possible after the Plan comes into effect and at such times thereafter, as deemed fit, the Nomination and Remuneration Committee shall, based on the various criteria (example: longevity, criticality of the job, availability of the talent, performance of the individual, role performed etc.) decide on the Employees who are eligible for the Options under the Plan and the terms and conditions thereof. The Board of Directors / Nomination and Remuneration Committee may in its absolute discretion vary or modify such criteria and / or selection and/ or the terms and conditions for granting any Options to any Employee or class of Employees.

All Eligible Employees of the Company, its holding / subsidiary company, as applicable, working in India or outside India shall be eligible to participate in this Plan. Provided however that persons who are “Independent Directors”, “Promoters” or part of the “Promoter Group” as defined in the SEBI Regulations shall not be entitled to participate in the Plan.

Where such Employee is a director nominated by an institution as its representative on the Board of Directors of the Company –

- The contract or agreement entered into between the institution nominating its Employee as the director of a Company, and the director so appointed shall, *inter alia*, specify the following:
 - Whether the grants by the Company under its plan can be accepted by the said Employee in his capacity as director of the Company;
 - That Grant if made to the director, shall not be renounced in favour of the nominating institution; and
 - The conditions subject to which fees, commissions, other incentives, etc. can be accepted by the director from the Company.
- The institution nominating its Employee as a director of a Company shall file a copy of the contract or agreement with the said Company, which shall, in turn file the copy with all the stock exchanges on which its shares are listed.
- The director so appointed shall furnish a copy of the contract or agreement at the first board meeting of the Company attended by him after his nomination.

ARTICLE 10 GRANT OF OPTIONS

- 10.1 The Nomination and Remuneration Committee may from time to time Grant Options to the Employee. The aggregate number of Options that may be granted under this Plan shall be decided by the Nomination and Remuneration Committee, subject to ceiling as approved by the shareholders. The aggregate number of shares acquired from secondary market underlying an Option that may be granted under the Plan shall not exceed 2% of the paid up share capital of the Company in any one financial year. Further, such overall aggregate number of shares acquired from secondary market underlying an Option that may be granted shall not exceed 5% of the paid up share capital of the Company.
- 10.2 The ceiling limits specified in paragraph 10.1 shall not be applicable, in case of fresh issue of shares by the Company to the Trust or the gift of shares by the promoter to the Trust for the purpose of this Plan.
- 10.3 The Grant of Options for Eligible Employee would be based on a divisor of:
- Percentage (as determined by the Nomination and Remuneration Committee) of last drawn cost to the Company; and
 - The projected appreciation computed as a difference of the Market Price as on the date of Grant and forecasted Market Price as on the date of Exercise (as ascertained on the date of Grant).

The projections on the date of Grant in respect of Market Price as on the date of Exercise would be determined by the Nomination and Remuneration Committee after taking due consideration of the Company's growth targets and consequential earnings per share under given market conditions.

Grant of options under this Plan to Eligible Employees during any one year equal to or exceeding one percent of the issued capital of the company at the time of such grant, shall be approved by way of separate resolution of the shareholders.

- 10.4 Grant price or exercise price of options would be market price as on date of grant or such other price as the Nomination and Remuneration Committee may decide, but not less than the face value of the share.
- 10.5 The Nomination and Remuneration Committee shall send a Grant Letter to each Eligible Employee to whom an Option has been granted as soon as reasonably practicable following the date of Grant.
- 10.6 The Grant Letter in respect of every Grant shall *inter-alia* contain the following information (although any omission shall not affect the validity of the Options):
- a) date of Grant;
 - b) number of Options granted;
 - c) the Grant price or Exercise Price of the Option;
 - d) details of any Performance and Vesting conditions as applicable to the Options;
 - e) the Vesting period or schedule;
 - f) the Exercise Period; and
 - g) a statement that no Options can be transferred, assigned or charged unless in case of death or permanent incapacitation of Employee.
- 10.7 Unless agreed to otherwise between the Company and any Employee, the Grant of an Option to an Employee under this Plan shall entitle the holder of the Options to apply for one Share in the Company upon payment of Exercise Price set out in this Plan. Subsequent Options may be granted at such price as may be determined by the Board.
- 10.8 Unless otherwise specified in the Grant Letter and / or in the Plan, all grants shall be deemed to have been made effective following the date of the Grant Letter. Any Grant agreed to be made to a prospective Employee upon the condition that such person becomes an Employee shall be deemed to have been granted and shall become effective on the earliest of the dates specified hereinbefore in this paragraph after the date on which such person commences employment with the Company.
- 10.9 The Options granted to the Option grantee shall not be pledged, hypothecated, mortgaged or otherwise alienated by the Option grantee.

ARTICLE 11 VESTING OF OPTIONS

- 11.1 Unless the terms and conditions of a Grant of Option shall otherwise require, an Option granted to an Employee shall entitle him to apply for the Share on or after the date of Vesting within the Exercise Period and at an Exercise Price.
- 11.2 Unless otherwise specified, Options granted shall have a Vesting period of not more than three years from the date of Grant and all Options granted shall Vest as per the Vesting schedule specified in the Grant Letter. The Nomination and Remuneration Committee may reduce such Vesting period. However, such Vesting period shall not be less than one year from the date of Grant.
- 11.3 On the earliest date on which any Option is eligible for the Vesting or immediately thereafter, such number or percentage of the Options as may be specified in the Grant Letter, on an automatic basis shall be deemed to have so Vested and accordingly the Option grantee shall, subject to fulfillment of any other condition as may be specified under the Plan, be eligible to Exercise the said Options.

- 11.4 The Nomination and Remuneration Committee in its absolute discretion may, for any Option grantee or class of Option grantees permit the Options granted, including Options which are not available for Exercise, to be exercised within such time and as per such terms and conditions as it may determine. However, such Vesting period shall not be less than one year from the date of Grant.
- 11.5 In the event of long term leave of any Eligible Employee (in excess of three months), the Options held by the Option grantee shall be treated as follows:
- a) Vested Options – the Option grantee shall Exercise the Vested Options within the Exercise Period as applicable;
 - b) Unvested Options – the Options continue to Vest during leave period unless determined otherwise by the Nomination and Remuneration Committee.
- 11.6 The terms of Vesting in respect of cessation of employment or in case of Corporate Actions are separately covered in Article 14 and Article 16 respectively.

ARTICLE 12 EXERCISE OF OPTIONS

- 12.1 Unless otherwise specified in the Plan, Vested Options must be exercised as set out in the Grant Letter.
- All Vested Options shall be exercised within a period of three months from the date of Vesting, failing which the Options shall be forfeited.
- 12.2 In case at the time of grant of the options, the Option Grantee has paid any amount to the company for exercise of the options but fails to exercise the Options during the exercise period, the amount paid by the Employee :
- may be forfeited by the Company if the Option is not exercised by the Employee within the Exercise Period; or
 - may be refunded to the Employee if the Options are not Vested due to non-fulfilment of conditions relating to Vesting of Options as per this Plan.
- 12.3 The Option grantee may, at any time during the Exercise Period, and subject to fulfillment of the conditions on which the Options have been granted, Exercise the Options by submitting an application to the Trust (in the prescribed format) to issue and allot him shares pursuant to the Vested Options, accompanied by payment of an amount equivalent to the Exercise Price in respect of such shares and such other writing, if any, as the Nomination and Remuneration Committee may specify to confirm extinguishment of the rights comprising in the Options then exercised. In the event of Exercise of Options resulting in fractional shares, the Nomination and Remuneration Committee shall be entitled to round off the number of shares to be issued to the nearest whole number and Exercise Price shall be correspondingly adjusted.
- 12.4 Exercise Price would be the price payable by Employee on the date of exercise which would either be equal to the Grant price or such price as determined or recomputed by the Nomination and Remuneration Committee. Such exercise price shall not be less than the face value of the shares.

- 12.5 Except as otherwise provided, payment of the Exercise Price for the shares to be acquired pursuant to Exercise of any Options shall be made / discharged by the Option grantee in any of the following mode:
- (i) Online payment/ wire transfer of funds;
 - (ii) cheque payable at the registered office of the Trust;
 - (iii) Exersale (immediate sale of shares on exercise of options) of eligible shares; or
 - (iv) such other consideration as may be approved by the Board from time to time to the extent permitted by applicable law; or
 - (v) any combination of any two or more of the above-mentioned methods.
- 12.6 In the case of exersale, the Company may permit the empanelled stock broker or Trust to fund the payment of Exercise Price which shall be adjusted against the sale proceeds of some or all the shares subject to the provisions of applicable law or regulation.
- 12.7 The application shall be in such form as may be prescribed in this regard and the Nomination and Remuneration Committee may determine the procedure for the Exercise from time to time.
- 12.8 Transfer of shares pursuant to the Exercise of Options made during the Exercise Period shall normally be made within a period of 15 (Fifteen) working days after the end of month in which the Options are exercised. In case the 15th day is a holiday, then such allotment of shares would be made in the next working day.
- Provided further that the Board / Nomination and Remuneration Committee is entitled to specify such other periods during which the Options may or may not be permitted to be exercised.
- Provided however that in case of cessation of employment, the Option grantee shall be entitled to Exercise the Options in accordance with the provision of Article 14 (except Clause 14.1) notwithstanding the Exercise Dates specified hereinabove in this Sub-Article, but subject to the provisions of any law or regulation for the time being in force.
- 12.9 The Option grantee may appoint any person(s) as nominee(s) for the purpose of exercising the rights on his death, subject to the terms and conditions of the Plan. The Option grantee shall appoint such nominee(s) by submitting a letter in the form specified by the Nomination and Remuneration Committee in this regard. The Option grantee has the right to revoke / change such nomination. The nominee(s) shall alone be entitled to Exercise the rights of the Option grantee concerned in the event of the death of the Option grantee.
- 12.10 The Nomination and Remuneration Committee may determine the applicability of lock in period in respect of shares allotted to Option grantee pursuant to Exercise of Option.

**ARTICLE 13
RIGHTS OF OPTION GRANTEE**

13.1 No shareholder rights

No Option grantee shall have any right to shares or to any amounts corresponding to dividends on shares and no Option grantee shall have any right to any cash payment.

13.2 No additional employment rights

The rights of any individual under the terms of his office or employment or such similar contract with any of the Group Companies are entirely separate from and will not be affected by his participation or prospective participation in this Plan. In particular, an individual is not entitled (and waives any rights he may have) to Nomination and Remuneration or damages in consequence of ceasing to have rights or benefits or prospective rights or benefits under this Plan following:

- a) the termination of his office or employment (whether lawfully or unlawfully) for any reason;
- b) the Exercise of a discretion or a decision taken under this Plan or any failure to exercise a discretion or take a decision (even if this could be regarded as capricious or unreasonable, or could be regarded as in breach of any implied term between an individual and his Employer, including any implied duty of trust and confidence); or
- c) the operation, suspension, termination or amendment of this Plan.

13.3 No additional Option rights

The Plan is operated on a purely discretionary basis and the Grant of Options on a particular basis or to a particular individual in any year does not create any right or expectation of the Grant of Options on the same basis, or at all, or to any particular individual in that or any subsequent year.

**ARTICLE 14
CESSATION OF EMPLOYMENT**

14.1 The Option term specified above shall terminate (and this Option shall cease to be outstanding) in the event of:

- (i) the Option grantee has engaged in fraud, embezzlement, or committed a breach of confidentiality in the course of his employment with the Company;
- (ii) the Option grantee has engaged in such behavior materially detrimental to the interests of the Company as a result of willful misconduct in the carrying out the duties or obligations of the Option grantee;
- (iii) a breach by the Option grantee of any of the material terms and conditions of his employment or such similar agreement, if any which has not been cured within thirty (30) days of receipt of a notice from the Company; or

- (iv) the Option grantee is convicted for any felony or crime involving moral turpitude, fraud or misrepresentation, in which event all Vested Options and Unvested Options at the time of such cessation of employment shall stand terminated with immediate effect;

the Option grantee is convicted for any felony or crime involving moral turpitude, fraud or misrepresentation, in which event all Vested Options and Unvested Options at the time of such cessation of employment shall stand terminated with immediate effect;

- 14.2 In case of termination due to performance as prescribed by the Nomination and Remuneration Committee, all Options which are Unvested shall stand cancelled on the date of such termination. With respect to the Options that are Vested as on the date of termination such Employee may be entitled to retain and Exercise within prescribed Exercise Period at the discretion of the Nomination and Remuneration Committee.
- 14.3 In case of voluntary resignation by the Employee, all Options which are Vested on the date of resignation shall be exercised by the Employee within Exercise Period failing which the Options will be forfeited.

All Options which are Unvested on the date of resignation of the Option grantee shall stand cancelled from the date of resignation unless otherwise determined by the Nomination and Remuneration Committee.

Provided further that the Nomination and Remuneration Committee shall have full power and authority to relax any of the conditions and provisions of Article 14.3 , in case of the Employee who resigns from service of the Employer to join its Subsidiary or any Associate Company. For the purpose of this Sub-Article, 'Associate Company' shall mean any Company in which not less than 25% of the equity share capital is held by the Company singly or together with its subsidiary.

- 14.4 In case of any medical reason or reasons all the Vested Options on the date of separation would be immediately exercised by the Employee and the Unvested Option would Vest on the date of separation (which decision shall be taken by the Nomination and Remuneration Committee at its sole discretion).
- 14.5 In the event of cessation of employment due to Permanent Incapacitation of an Option grantee while on employment, all the Options shall Vest in him on that day. All such Vested Options should be exercised within the prescribed Exercise Period.
- 14.6 In the event of by death of the Employee whilst in employment, all Options shall Vest in the legal heirs or nominees of the deceased Employee on that day. All such Vested Options should be exercised within the prescribed Exercise Period by the nominee or the legal heir, as the case may be.
- 14.7 Notwithstanding anything elsewhere stated in this document, in the event of retirement/attaining the age of superannuation by the Employee, all Options which are Vested Options on the date of retirement/attaining the age of Superannuation by the Employee shall be exercised by the employee within the Exercise Period. All the unvested options shall, notwithstanding the original vesting schedule, vest in the employee as follows:

a. All unvested options for which a period of one year has elapsed from the date of grant shall vest immediately on the date of retirement/ attaining the age of superannuation.

b. All unvested options for which a period of one year has not elapsed from the date of grant shall vest immediately upon completion of one year from the date of Grant.

- 14.8 In case of separation of employee due to reasons other than those mentioned in the afore-mentioned sub-clauses of Article 14, the Nomination and Remuneration Committee will decide whether the Vested Options on the date of separation can be exercised by the Employee or not, and such decision of the Nomination and Remuneration Committee shall be final. All Unvested Options shall stand cancelled on the date of separation.

ARTICLE 15 TERMS AND CONDITIONS OF SHARES

- 15.1 All Shares acquired under the Plan will rank *pari passu* with all other Shares of the Company for the time being in issue, save as regards any right attached to any such Shares by reference to a record date prior to the date of allotment.
- 15.2 Neither an Option grantee, nor his successor in interest, shall have right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of Option granted to him as applicable, till shares are issued upon Exercise of Option. Dividend in respect of Shares allotted on Exercise of the Options shall be payable pro-rata from the date of allotment, if any as applicable.

ARTICLE 16 CHANGE IN CAPITAL STRUCTURE OR CORPORATE ACTION

- 16.1 Except as hereinafter provided, any Grant made shall be subject to adjustment, by the Board, at its discretion, as to the number and price of Options or shares, as the case may be, in the event of 'Change in Capital Structure' or a 'Corporate Action' as defined herein.
- 16.2 If there is a 'Change in the Capital Structure of the Company' before the Options granted under this Plan are Vested but not exercised, the Employee shall be entitled on Exercise of the Options, to such number of resultant Options to which he would have been entitled as if all then outstanding Options exercised by him, had been exercised before such 'Change in the Capital Structure' had taken place and the rights under the Options shall stand correspondingly adjusted. With respect to Unvested Options, the Nomination and Remuneration Committee, at its discretion, shall adjust the Unvested Options with that of the resultant Options, which is not detrimental to the interest of the Option grantee.
- 16.3 The shares in respect of which the Options are granted, are shares as presently constituted. But if and when, prior to the expiry of the Exercise Period there is a 'Change in the Capital Structure' of the Company, the number of resultant shares with respect to which the Options may thereafter be exercised shall, in the event of :
- i. an increase in the number of resultant shares, be proportionately increased, and the Exercise Price, be proportionately reduced.
 - ii. a reduction in the number of resultant shares, be proportionately reduced, and the Exercise Price, be proportionately increased.

Provided further that in case the provisions of applicable law restrict / prohibit the issue of shares at a Discount to its par or other value, the Exercise Price shall not be less than such amount as prescribed under such law.

- 16.4 In the event of 'Corporate Action', the Nomination and Remuneration Committee in consultation with Board, at least seven days prior to any 'Corporate Action' or sixty days thereafter, acting in its absolute discretion with or without the consent or approval of the Employee, as it may deem fit, shall in respect of the outstanding Options act on any of the following alternatives:-
- a) Provide that on any Exercise of Options hereafter, the Option grantee shall be entitled to the Options and / or resultant Options as if the Options grantee had been a holder of the Options on the date of the Corporate Action.
 - b) Make such adjustments to the Options outstanding to reflect the 'Corporate Action', as may be necessary.
 - c) Substitute the Options granted, by fresh Options whether in the Company or another Company, which have substantially the same terms as the Options granted under this Plan.
 - d) Accelerate the Exercise of the Options so that the Options are to be compulsorily exercised before the date specified by the Board, failing which they shall lapse.
 - e) Require the mandatory surrender to the Company, by all or some of the Option grantee, of all or some of the outstanding Options, irrespective of whether, the Options, are available for Exercise or not, as on that date. In such an event the Company shall pay to such Employee an amount, in cash or otherwise, per Option, as the case may be, of the "Surrender Value" after deducting the applicable taxes, if any.

Provided, however, unless specifically agreed otherwise upon by the Board, all Options which are not exercisable on the date of any Corporate Action as envisaged above, shall lapse and the Options grantee shall not be entitled to any Nomination and Remuneration of any nature whatsoever.

- 16.5 The Nomination and Remuneration committee shall determine the proportion and value of resultant Options to be granted in exchange of Options already issued prior to 'Corporate Action' provided such valuation is not prejudicial to the interest of the Option grantee.
- 16.6 Where the Company makes a further issue of capital upon which all the existing Shareholders of the Company are offered a right to subscribe for the further issue of capital at a price lower than the Fair Market Value, (hereinafter called "the Rights issue"), the Board may in its absolute discretion, permit the Employees to subscribe pro-rata to the additional shares on the same terms and conditions as the right issue, as if all the Options not exercised by him had been exercised by him before such "Change in the Capital Structure" of the Company, had taken place. Such newly subscribed shares or other securities shall be issued on such terms and conditions as may be determined or deemed fit by the Board.

Notwithstanding anything contained herein above and in the alternative, in the event the Company comes out with a rights issue and / or announces bonus shares, the Nomination and Remuneration Committee shall have the right to cancel all or part of the outstanding grants whether Vested or Unvested and / or make fresh grants on terms not prejudicial to the Employees including allowing the Employees to accelerate the Vesting to enable them to Exercise the Options such that the

Employees can participate in the rights and / or bonus issue in the same manner as the other eligible shareholders.

**ARTICLE 17
AMENDMENT OR TERMINATION OF THE PLAN**

17.1 The Nomination and Remuneration Committee in its absolute discretion may from time to time amend, alter or terminate the Plan or any Grant or the terms and conditions thereof, provided that no amendment, alteration or termination in any Grant previously made may be carried out, which would impair or prejudice the rights of the Option grantee without the consent of the Option grantees.

Provided further, that the Board will not, without the approval of the shareholders, amend the Plan to increase the aggregate number of shares which may be issued pursuant to the provisions of the Plan on Exercise or surrender of Options or upon grants except as otherwise stated elsewhere in this Plan.

17.2 Without prejudice to the above, the Nomination and Remuneration Committee may, without any reference to or consent of the employee concerned, amend the Plan or Grant or any Agreement to comply with any law, regulation or guideline, which is or may hereinafter, become applicable to this Plan.

17.3 The Nomination and Remuneration Committee may reprice the Options that are not exercised whether or not they have been Vested if the Plan were rendered unattractive due to fall in the price of the shares in the recognized stock exchange and such reprice shall not be detrimental to the interest of the Employee.

17.4 The Company may, by passing a Special Resolution, vary the terms of the Plan in relation to the Options not exercised by the Employees provided such variation is not prejudicial to the interest of the Option grantees.

17.5 In case of winding up of the Plan implemented through Trust, the excess money or shares remaining with the Trust after meeting all the obligations, if any, shall be utilized for repayment of loan or by way of distribution to Employees as recommended by Nomination and Remuneration Committee.

**ARTICLE 18
ADMINISTRATION**

18.1 **Notices**

a) Any notice or other document given to an Eligible Employee or Options grantee shall be sent by post, email or fax or given via an intranet communications system to such address or number as the person giving the notice or document considers appropriate.

b) Any notice or other document which has to be given to any other person under or in connection with this Plan shall be sent by post, email or fax or given via an intranet communications system to such address or number as is notified for this purpose (marked for the attention of the designated person).

- c) Items sent by post shall be pre-paid and will be deemed to have been received 72 hours after posting (or if posted overseas 7 days after posting). Notices sent by email or fax, in the absence of evidence to the contrary, will be deemed to have been received on the day after sending.

18.2 **Disputes**

The Board's decision on all disputes or disagreements relating to the interpretation of this Plan or as to any question or right related to this Plan is final and conclusive.

18.3 **Costs**

The costs of establishing and operating this Plan, including the cost of payments made in relation to Exercise of Options, shall be borne by the Company in such proportions as the Board determines.

18.4 **Power to delegate functions and appoint specialists**

The Board may delegate the exercise of its powers or discretions in relation to the Plan to any one or more persons (including, but not restricted to, a sub-committee of the Board) for such period and on such conditions as the Board may determine.

The Board may at any time appoint or engage specialist service providers for the operation and administration of the Plan.

18.5 **Data protection**

By accepting Options (through not renouncing it) and by accepting any benefit in respect of an Options, Option grantee agrees to the holding of personal information about him. He/ She authorizes the Board and its agents and advisers (or agents or advisers of the Group) to use such information for all purposes relating to the operation of this Plan.

ARTICLE 19 OTHERS

19.1 **No Right to an Option:**

Neither the adoption of the Plan nor any action of the Board of Directors or Nomination and Remuneration Committee, shall be deemed to give an Employee any right to be granted any Options or to acquire Options or to any other rights, nor shall it create any right in any Employee to claim any Option as a matter of right.

19.2 **No Employment Rights Conferred:**

Nothing contained herein or in any Option granted to an Employee shall:

- (i) give or confer upon such Employee any right for continuation of any employment with his Employer, or
- (ii) interfere in any way with the right of the Employer to terminate the employment of such Employee at any time and for any reason whatsoever.

19.3 **Tax Deduction at Source and Tax Recovery:**

The Employer shall have the right to deduct all taxes payable either by the Eligible Employee / Option grantee, in connection with all grants / Options / shares under this Plan, by way of deduction at source from salary or to require any payments necessary to enable it to satisfy such obligations (i.e. by way of cheque).

The Option grantee will also as a condition of the Plan authorize the Company or the Trust or its nominee to sell such number of shares as would be necessary to discharge the obligation in the respect of such taxes and appropriate the proceeds thereof on behalf of the Option grantee.

19.4 **Accounting Policies:**

The Company shall conform to the accounting policies prescribed by SEBI and as specified by the SEBI Regulations, as amended from time to time.

19.5 **No Restriction of Corporate Action:**

The existence of the Plan and the grants made hereunder shall not in any way effect the right or the power of the Board of Directors or the shareholders or the Company to make or authorize 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.

Nothing contained in the Plan shall be construed to prevent the Company from taking any Corporate Action which it deems appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any Grant made under the Plan. No Employee or other person shall have any claim against the Company as a result of such action.

19.6 **Confidentiality:**

Employees must keep the details of this Plan and all other documents in connection thereto strictly confidential and must not disclose the details with any of his peer, colleagues, co-employees or with any employee and / or associate of the Company or that of its affiliates or any third party. In case Option grantee is found in breach of this confidentiality clause, the Company has undisputed right to terminate any agreement and all unexercised Options shall stand cancelled immediately. The decision and judgment of the Company regarding breach of this confidentiality Clause shall be final, binding and cannot be questioned by Option grantee. In case of non-adherence to the provisions of this clause, the Nomination and Remuneration Committee will have the authority to deal with such cases as it may deem fit.

On acceptance of Grant, the Option grantee agrees that the Company may be required to disclose information of the Option grantee during the process of implementation of this Plan or while availing services relating to ESOP consulting, advisory services or ESOP Management services and / or any other such incidental services. The Option grantee hereby accords his consent that such confidential information regarding his Options entitlements may be disclosed by the Company to its officers, professional advisors, agents and consultants on a need to know basis.

19.7 Insider Trading:

The Option grantee shall ensure that there is no violation of applicable regulations for the prevention of “insider trading” in shares and securities and for prevention of Fraudulent and / or Unfair Trade Practices relating to the securities market.

The Nomination and Remuneration Committee shall be entitled to frame such rules, regulations as may be necessary to ensure that there is no violation of the above referred regulations and / or practices.

The Option grantee shall indemnify and keep indemnified the Company / Board / Nomination and Remuneration Committee / Trust in respect of any liability arising as a result or consequence of the violation of the above provisions by the employee.

19.8 New Plans:

Nothing contained in the Plan shall be construed to prevent the Company directly or through any Trust settled by the Company, from implementing any other new Plan for granting stock Options and /or Share purchase rights, which is deemed by the Company to be appropriate or in its best interest, whether or not such other action would have any adverse impact on the Plan or any Grant made under the Plan. No Employee or other person shall have any claim against the Company and / or Trust as a result of such action.

19.9 Issues:

In respect of any issues arising in respect of the Plan, the decision of the Board of Directors shall be final and binding on all concerned.

19.10 Restriction on transfer of Options:

An Option shall not be transferable and shall be exercisable during Exercise Period only by such Option grantee or in case of death, by the legal heirs of the deceased Option grantee. An Option shall not be pledged, hypothecated, mortgaged or otherwise encumbered or alienated in any other manner except where required by the Nomination and Remuneration Committee.

19.11 Option Agreement:

Each Option shall be evidenced by terms and conditions as may be stipulated by the Company.

19.12 Plan severable

This Plan constitutes the entire document in relation to its subject matter and supersedes all prior agreements and understandings whether oral or written with respect to such subject matter.

In the event that any term, condition or provision of this Plan being held to be a violation of any applicable law, statute or regulation the same shall be severable from the rest of this Plan and shall be of no force and effect and this Plan shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Plan.

19.13 Arbitration

All disputes arising out of or in connection with the Plan or the Grant shall be referred to arbitration in accordance with the provisions of the Arbitration and Conciliation Act, 1996. The place of Arbitration shall be Coimbatore, India.

19.14 Governing Laws:

The Plan shall be construed in accordance with the laws of India and subject to foregoing Clause 19.13, all concerned with this Plan submit themselves to the jurisdiction of the appropriate Courts in Coimbatore, India only.

19.15 Certificate from Secretarial Auditors

The Board shall at each annual general meeting place before the Shareholders a certificate from the Secretarial Auditors of the Company that this Plan has been implemented in accordance with the SEBI Regulations and in accordance with the resolution of the Company in the general meeting.