



Apar Industries Limited
Stock Option Plan 2007

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Apar Industries Limited Stock Option Plan 2007

1. Name of the Plan

Approved by the shareholders on Thursday, August 9, 2007 through a special resolution in a general meeting, this Plan will be called the Apar Industries Limited Stock Option Plan 2007.

2. Purpose of the Plan

The purpose of this Plan is to promote the success of the Company by rewarding and motivating key employees for high levels of individual performance, and to retain such employees. This purpose may be achieved through the grant of options to key employees to purchase equity shares of the Company.

3. Definitions

- (i) **"Beneficiary"** means the person, persons, designated by a Grantee entitled to options under this Plan, or in the absence of any designation by the Grantee, a person who is entitled by the Will of the Grantee to receive benefits specified in the Plan if the Grantee dies and includes the Grantee's executors or administrator if no other beneficiary is designated and able to act under the circumstances.
- (ii) **"Board"** means the Board of Directors of the Company.
- (iii) **"Change in Control"** means the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the assets of the Company to any person or group; (ii) any person or group (other than the Company or an affiliate thereof) is or becomes the beneficial owner, directly or indirectly, of more than 50% of the voting capital of the Company, including by way of merger, consolidation or otherwise; and (iii) the first day on which a majority of the members of the Board are not continuing directors.
- (iv) **"Closing Date"** means the last date on which the offer of options by the Company to a Grantee can be accepted.
- (v) **"Company"** shall mean Apar Industries Limited.
- (vi) **"Compensation Committee"** means a committee of the Board of Directors consisting of 5 members. Of these, 3 members (constituting a majority) would be independent directors.
- (vii) **"Employee"** means
 - (a) A permanent employee of the Company working in India or out of India; or
 - (b) A director of the Company, whether a whole time director or not; or

- (c) An employee as defined in Clause (a) or (b) above, of a Holding or subsidiary in India or out of India, of the Company.
- (viii) **"Exercise"** means making of an application by the Grantee to the Company for issue of shares against the options vested in him in pursuance of the Plan.
- (ix) **"Exercise period"** means a period of 4 years from the date of vesting.
- (x) **"Exercise price"** means the purchase price of each share payable by the Grantee for exercising the option(s) granted to him in pursuance of the Plan.
- (xi) **"Financial year"** means the period beginning from April 1 to March 31.
- (xii) **"General meeting"** means a general meeting held by the Company under the Companies Act, 1956.
- (xiii) **"Grant"** means the issue of options to an employee.
- (xiv) **"Grantee"** means an employee who receives an offer from the Compensation Committee to participate in the Plan.
- (xv) **"Independent director"** means a director of the Company, not being a whole time director and who is neither a promoter nor belongs to the promoter group.
- (xvi) **"Market Price"** means the latest available closing price of the shares of the Company prior to the date of meeting of the Board of Directors or Compensation Committee in which the options are granted / shares are issued on that Stock Exchange where there is highest trading volume on the said date.
- (xvii) **"Offer date"** means the date on which an option to purchase the shares of the Company at the exercise price is granted to an employee by the Compensation Committee.
- (xviii) **"Option"** means a right granted to an employee in pursuance of the Plan to apply for the shares of the Company at the exercise price.
- (xix) **"Plan"** means the Apar Industries Limited Stock Option Plan 2007.
- (xx) **"Promoter"** means:
- (a) the person or persons who are in overall control of the Company;
 - (b) the person or persons who are instrumental in the formation of the Company or programme pursuant to which the shares were offered to the public;

- (c) the person or persons named in the offer document/prospectus of the Company at the time of going for a listing on any recognised stock exchange in India, as Promoters.

Provided that a director or officer of the Company, if he is acting as such only in his professional capacity, will not be deemed to be a Promoter.

(xxi) **"Promoter group"** means:

- (a) an immediate relative of the Promoter (i.e. spouse of that person, or any parent, brother, sister or child of the person or of the spouse);
- (b) persons whose shareholding is aggregated for the purposes of disclosing in the prospectus of a Company at the time of going for a listing on a recognised stock exchange in India, "shareholding of the Promoter group".

(xxii) **"Share"** means an equity share with a nominal par value of Rs 10 (Rupees ten only) each in the Company. It shall include American Depository Receipts (ADRs), Global Depository Receipts (GDRs) or other depository receipts representing underlying equity shares or securities convertible into equity shares.

(xxiii) **"Subsidiary"** means a subsidiary of the Company as defined under the Companies Act, 1956.

(xxiv) **"Stock exchange"** means National Stock Exchange of India Limited and Bombay Stock Exchange Ltd.

(xxv) **"Unvested option"** means an option which is not a vested option.

(xxvi) **"Vesting"** means the process by which the Grantee is given the right to apply for shares of the Company against the option granted to him in pursuance of the Plan.

(xxvii) **"Vesting period"** means the period during which the vesting of the option granted to the Grantee in pursuance of the Plan takes place.

(xxviii) **"Vested option"** means an option which has vested with the Grantee and has thereby become exercisable.

(xxix) **"Year"** means a period of 12 months.

4. Jurisdiction and governing laws

The Plan shall be subject to the jurisdiction of the High Court of Mumbai and shall be governed by the laws of India as amended from time to time.

5. Share Limits

The maximum number of shares that may be issued pursuant to exercise of Options granted to the Grantees under this Plan shall not exceed 5 percent of the Issued share capital of Company.

6. Administration of Plan and power of Compensation Committee

6.1 Compensation Committee

The Plan will be administered by the Compensation Committee. The Compensation Committee shall continue to serve until otherwise directed by the Board. The Board may increase the size of the Compensation Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution thereof and fill vacancies however caused.

Any action of the Compensation Committee with respect to the administration of the Plan shall be taken pursuant to a majority vote of all its members.

6.2 Powers of the Compensation Committee

The Compensation Committee will have the authority to:

- (a) Determine eligibility of employees to participate under the Plan.
- (b) Grant Options to eligible employees and determine the date of grant.
- (c) Determine the number of Options to be granted to an employee.
- (d) Cancel the Options that are granted but not vested and Re-issue the same.
- (e) Determine the exercise price under Clause 7.
- (f) Construe and interpret the Plan and any agreements defining the rights and obligations of the Company and eligible employees under the Plan, and prescribe, amend and rescind rules and regulations relating to the administration of the Plan.

The Compensation Committee shall frame suitable policies and systems to ensure that there is no violation of,-

- (a) the Securities and Exchange Board of India (Insider Trading) Regulations, 1992; and

- (b) the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 1995, by any employee.

All decisions made by the Compensation Committee or the Board in the matter referred to above shall be final, conclusive and binding upon all persons including the Company, the Grantee, the shareholders and the Employees. No members of the Compensation Committee or the Board shall be liable for any action or determination made in good faith with respect to the Scheme or any Option granted thereunder.

7. Exercise price

The exercise price shall be the Market Price as specified in Clause 3 (xvi) of the Plan.

8. Eligibility

- 8.1 The Employees, who are identified by the committee, shall be entitled to participate in the Plan ("the Eligible Employees"). The Committee will decide which Eligible Employees should be granted Options under the Plan and accordingly, the Company would offer the Options to these identified Eligible Employees.

A director who either by himself or through his relative or through any body corporate, directly or indirectly, holds more than 10 percent of the outstanding equity shares of the Company shall not be eligible to participate in the Plan. Further, an employee who is a promoter or belongs to the promoter group shall not be eligible to participate in the Plan.

- 8.2 In determining the number of Options to be granted, the Compensation Committee shall consider the following:

- performance of the employee
- position and responsibilities of the employee
- employee's services to the Company
- the period for which the employee has rendered services to the Company
- the employee's present and potential contribution to the Company

9. Grant of Options

- 9.1 The Compensation Committee may offer Options to such employees as determined by it and in accordance with the terms and conditions of the Plan for the time being in force. Each Option would entitle an employee to one equity share of the Company, subject to the terms of the Plan.

- 9.2 The offer of Options by the Compensation Committee to the employees shall be made in writing and communicated to the employees. Such an offer shall state the number of Options offered, offer price and the closing date of accepting the offer.
- 9.3 The closing date shall not be more than 30 (thirty) days from the offer date.
- 9.4 Any Grantee who fails to return the acceptance form on or before the closing date shall, unless the Compensation Committee determines otherwise, be deemed to have rejected the offer and any acceptance received after the closing date shall not be valid.
- 9.5 The maximum number of options to be granted to each employee will depend upon the rank/designation of the employees as on the date of grant of options. However, no employee shall be entitled to more than 1% of the issued, subscribed and paid up equity capital at the time of grant of options in any single fiscal year of the Company.
- 9.6 An offer to a Grantee is personal to him and not assignable.

10. Method of acceptance

- 10.1 Any Grantee who wishes to accept an offer made pursuant to Clause 9 of the Plan must deliver an acceptance form, in such form as prescribed by the Compensation Committee from time to time, duly completed to the Compensation Committee on or before the closing date stated in the offer letter.
- 10.2 Upon receipt of a duly completed acceptance form from a Grantee, the Compensation Committee shall issue the Grantee a statement, in such form as the Compensation Committee may from time to time prescribe, showing the number of Options to which the Grantee is entitled pursuant to the acceptance of such offer.

11. Non-transferability of Options

The Options granted to a Grantee under the terms of the Plan shall not be sold, pledged, assigned, hypothecated, transferred or alienated in any manner other than by execution of a will in case of death of the Grantee and may be exercised, during the life time of the Grantee, only by the Grantee.

12. Beneficiary designation

Each Grantee under the Plan may designate, from time to time, any beneficiary or beneficiaries to whom any benefit under the Plan is to be delivered in case of his death. Each such designation shall revoke all prior designations by the same Grantee and shall be in a form prescribed by the Compensation Committee and will be effective only when filed by the Grantee in writing with the Compensation Committee during the Grantee's lifetime.

13. Vesting of Options

Options granted to a Grantee under this plan shall vest with the Grantee in accordance with the following schedule:

Years after the offer date	Number of Options vested (Rounded off to nearest one)
Less than 1	0
1 but less than 2	One-third of the total Options granted
2 but less than 3	Two-thirds of the total Options granted
3 but less than 4	100% of the total Options granted

There shall be a lock-in period of one year between the grant of Options and vesting of Options.

14. Exercise of Options

14.1 Options granted under the Plan and vested with the Grantee shall be exercisable by the Grantee only within the exercise period, as specified in Clause 3(ix) of the Plan. All vested Options not exercised within the exercise period shall expire.

14.2 Notwithstanding anything contained in this Plan, all Options granted to the Grantee and vested with him shall not be exercisable after the exercise period.

Exercise Schedule

<u>Year (after the offer date)</u>	<u>Number of Options exercisable</u>	<u>Number of Options lapsed</u>
<i>Less than 1</i>	<i>0</i>	<i>0</i>
<i>1 but less than 2</i>	<i>One-third of the total Options granted</i>	<i>0</i>
<i>2 but less than 3</i>	<i>Two-thirds of the total Options granted</i>	<i>0</i>
<i>3 but less than 4</i>	<i>100% of the total Options granted</i>	<i>0</i>
<i>4 but less than 5</i>	<i>100% of the total Options granted</i>	<i>0</i>
<i>5 or more</i>	<i>0</i>	<i>1/3rd of the total Options granted in the year 1 but less than 2.</i>
<i>6 or more</i>	<i>0</i>	<i>2/3rd of the total Options granted in the year 2 but less than 3</i>
<i>7 or more</i>	<i>0</i>	<i>100% of the total Options granted in the year 3 but less than 4</i>

In case of employees who intend to go on long leave, adjustments to the grant, vesting and exercise will be made by the Compensation Committee.

All Options granted to a Grantee shall expire after a period of four years from the vesting date.

15. Notice of exercise

15.1 All Grantees shall deliver a written notice of exercise, to the Compensation Committee setting forth the number of Options to be exercised, the exercise date, the method of payment of the exercise price, and such other particulars as the Compensation Committee may prescribe from time to time.

15.2 The notice referred to in Clause 15.1 shall be delivered to the Compensation Committee not less than 7 days before the exercise of the Options by the Grantee under the Plan.

16. Payment of exercise price

Upon exercise of any Option, the exercise price shall be payable by the Grantee to the Company in full. Such a payment shall be made by draft/cheque.

17. Termination of employment

(a) In the event of termination (other than termination by the Company specified in clause 17(e)) of the Grantee's employment with the Company for any reason other than death, permanent incapacity, and misconduct, he may, within 30 days after the date of termination, exercise his vested Options as on the date of such termination. The unvested Options of the Grantee as on such date shall lapse.

The number of Options which have vested with the Grantee and which are not exercised by him within the time specified herein shall lapse.

(b) In the event of termination of the Grantee's employment with the Company as a result of his total or permanent disability, the Grantee shall be entitled to exercise such Options vested with him within a period of 12 months from the date of such total or permanent disability. All vested Options, not exercised within the above specified period, will lapse.

(c) In the event of the death of a Grantee during the term of the Option, who at the time of his death is in the service of the Company, and who would have been in the service of the Company but for his death, all Options granted to him shall vest with his legal heirs or the beneficiaries immediately.

The beneficiary/ legal heir of the Grantee under this Plan shall be entitled to exercise such Options vested with the Grantee as on the date of his death, within a period of 12 months from the date of the death of the Grantee. All vested Options, not exercised within the above specified period will lapse.

- (d) In the event of a Grantee retiring from the Company, Grantee shall be entitled to exercise such Options vested with him within a period of 12 months from the date of such retirement. All vested Options, not exercised within the above specified period will lapse.
- (e) In the event of termination of employment of the Grantee by the Company for any misconduct as determined by the Compensation Committee, all the vested Options and unvested Options of the Grantee as on the date of such termination shall terminate.
- (f) In the event of liquidation of the Company, all unvested Options of the Grantee shall expire.
- (g) The provisions of Clauses 17 (a) to (f) shall apply notwithstanding anything contained in Clause 14 of the Plan.

18. Change in capital structure

In case the following events occur, namely:

- (i) the Company or its subsidiaries shall at any time be involved in a merger, consolidation, dissolution, liquidation, re-organization, exchange of shares, sale of all or substantially all of the assets or stock of the Company or its subsidiaries or a transaction similar thereto; or
- (ii) any bonus issue, rights issue, stock split, reverse stock split, stock merger, reclassification, recapitalization or other similar change in the capital structure of the Company or its subsidiaries, or any distribution to holders of Common Stock other than cash dividends, shall occur; or
- (iii) any other event shall occur which in the judgement of the Compensation Committee necessitates action by way of adjusting the terms of the outstanding Options;

then the Compensation Committee may, subject to the provisions of Clause 23, forthwith take any such action as in its judgement shall be necessary to preserve the Grantees rights substantially proportionate to the rights existing prior to such event, including, without limitation, adjustments in (a) the total number shares subject to Options, (b) the Option Price, and (c) the number of shares available under each Option to an employee. To the extent that such action shall include an increase or decrease in the number of shares subject to outstanding Options, the number of shares available under Clause 5 above shall be increased or decreased, as the case may be, proportionately.

If a Change in Control shall occur, then the Compensation Committee may, subject to the provisions of Clause 23, make such adjustments as it, in its discretion, determines are necessary or appropriate in light of the Change in Control (including, without limitation, the acceleration of the exercisability of the Options), provided that the Compensation Committee determines that such adjustments do not have an adverse economic impact on the Grantee as determined at the time of the adjustments.

All decisions made by the Compensation Committee in the matter referred to above shall be final, conclusive and binding upon all persons including the Company and the Grantee.

19. Issue of shares

- 19.1 Upon receipt of the full amount of the exercise price in respect of any Options validly exercised by the Grantee, the Company shall within 7 days of the payment of exercise price, effect allotment to the Grantee of one fully paid share in respect of each such Option.
- 19.2 All shares allotted on exercise of Options will rank pari-passu with all other equity shares of the Company already issued.
- 19.3 Where the shares of the Company are traded on a stock exchange in dematerialised form, on the option of the Grantee, the shares to be issued on exercise of the Options shall be credited to the Grantee's dematerialised account held with a depository registered under the Securities and Exchange Board of India Act, 1992.
- 19.4 The Company will not be obliged to deliver certificates for any shares on exercise of an Option, unless and until it receives full payment of the exercise price and any related withholding obligations (if any), have been satisfied.
- 19.5 Until the issuance of shares certificate (as evidence by the appropriate entry in the books of the Company), no right to vote or receive dividend or any other rights as a shareholder shall exist with respect to the shares underlying the Options.

20. Tax withholding

The Grantee shall be liable to pay taxes imposed on the grant, holding, exercise or disposal of the Options/shares under the Plan, as per the law in force at that time. Unless required by law, the Company shall have no liability towards withholding and discharging the necessary taxes for the Grantee.

21. Cancellation and reissue of Options

All Options that expire or for any reason are lapsed, cancelled, terminated, forfeited, fail to vest, expired or for any other reason are not paid or delivered under the Plan, will again, be available for subsequent grant under the Plan by the Compensation Committee in accordance with the provisions of the Plan or shall be transferred to any subsequent stock option plan introduced by the Company in accordance with Clause 27.3 of the Plan.

22. Notices and correspondence

22.1 Any notice required to be given by a Grantee to the Company or any correspondence to be made between a Grantee and the Company, may be given or made to the Registered Office and Corporate Office of the Company or such other address as may be notified by the Company in writing.

22.2 Any notice required to be given by the Company to a Grantee or any correspondence to be made between the Company and a Grantee, shall be given or made by the Compensation Committee on behalf of the Company at the address provided by the Grantee in his acceptance form.

23. Alteration of the Plan

Subject to the prior approval of the shareholders in a General Meeting, the Compensation Committee by resolution revoke, add to or vary all or any of the terms and conditions of the Plan or all or any of the rights or obligations of the Grantees or any of them provided that the interest of the Grantee are not thereby prejudiced. For this purpose, any alteration in the tax liability of the Grantee, as may be necessitated by law, would not be treated as prejudicial to his interests.

Further, Compensation Committee may also revoke, add to or vary all or any of the terms and conditions of the Plan or all or any of the rights or obligations of the Grantees or any of them in accordance with the powers specified in the Clause 6.2 of the Plan provided that the interest of the Grantee are not thereby prejudiced.

Any such amendment shall be communicated by the Compensation Committee to the Grantees in writing.

24. Dispute

Any disputes or differences of any nature arising under the Plan shall be referred to the Compensation Committee and its decision shall be final and binding in all respects.

25. Compliances with law

The terms and conditions of this Plan are subject to compliance with all the applicable laws, rules and regulations, and to such approvals by any governmental agencies, as may be required in India.

26. Other provisions

- (a) Nothing contained in this Plan (or in any other documents related to this Plan or to any Option) will confer upon any employee, any right to continue in the employment of the Company or constitute any agreement of employment, nor will interface in any way with the right of the Company to otherwise change such person's compensation or the benefits or to terminate the employment of such person, with or without cause, but nothing contained in this Plan or any related document will adversely affect any independent contractual right of such person without the Grantee's consent.
- (b) The Plan shall not form part of any employment contract between the Company and the employee.
- (c) Any reference to a male employee shall also be construed as a reference to a female employee, as the case may be.
- (d) The Company will at all time keep available such number of authorised and un-issued shares as would be required to be issued upon exercise of all the Options from time to time outstanding and shall ensure that all shares delivered upon exercise of the Options are duly and validly issued as fully paid.

27. Term of the Plan

- 27.1 It shall continue in effect unless terminated by the Company on the advice of the Board and after obtaining the shareholders approval.
- 27.2 Any such termination of the Plan shall not affect Options already granted and such Options shall remain in full force and effect as if the Plan had not been terminated, unless mutually agreed otherwise between the Grantee and the Company, which agreement must be in writing and signed by the Grantee and the Company.
- 27.3 All Options outstanding under the Plan and not granted shall either be cancelled on termination of the Plan or transferred to any subsequent stock option plan introduced by the Company.
