

LEMON TREE HOTELS LIMITED

(LEMON TREE HOTELS)

EMPLOYEES STOCK OPTION PROGRAM (ESOP) 2006

Amended w.e.f. August 21, 2017 and

Further updated by Nomination & Remuneration Committee

On May 25, 2018

I. Introduction

This document sets out the salient features of the employees stock option plan called "Employees Stock Option Program 2006" (ESOP Plan) of Krizm Hotels Private Limited, now 'Lemon Tree Hotels Limited', a public limited company incorporated under the Companies Act, 1956 and having its registered office at Asset No 6, Aerocity Hospitality District, New Delhi-110037 (hereinafter referred to as "Company").

- This ESOP Plan came into force with unanimous approval of the Board of Directors of the Company on 18th July, 2006, which was further approved by the shareholders in their meeting on 25th August, 2006 and it is further amended by the shareholders in their meeting held on 21st August, 2017. All the Options granted under this ESOP Plan shall continue to be governed by the provisions of this ESOP Plan and the Grantees, or any persons acquiring rights (in accordance with this ESOP Plan) from the Grantees, may exercise their rights on or before the expiration of the Exercise Period.

- This ESOP Plan, initially formulated by the Board of Directors of the Company in conformity with the Guidelines on Employees' Stock Option Plan or Scheme dated 11th October 2001 issued by the Government of India in exercise of the powers conferred by proviso to sub-clause (iii) of clause (2) of Section 17 of the Income Tax Act, 1961, has been varied and amended for aligning it with the applicable provisions of Companies Act, 2013 and the Companies (Share Capital and Debentures) Rules, 2014 (hereinafter 'the Act'), which has been approved unanimously by the Board of Directors at its meeting held on 19th February, 2015 and by its shareholders by passing special resolution in its meeting held on 26th February, 2015. Further this ESOP plan, is further amended by the shareholders of the Company on 21st August, 2017 to align the same in compliance with the provisions of Companies Act, 2013 and rules

made thereunder and the relevant provisions of SEBI (Share Based Employee Benefit) Regulations, 2014.

- This amended ESOP Plan shall continue in force till the end of vesting period of options granted before the Date of IPO.
- The Board or Compensation Committee as authorised by the Board may subject to compliance with Applicable Laws, at any time alter, amend, suspend or terminate the ESOP Plan.

II. Intent

2.1 The objectives of this ESOP Plan are to promote the long-term financial interest of the Company and to offer to eligible Employees of the Company an opportunity to participate in the share capital of the Company. The objects of the Employee Stock Option Program are:

- i) To provide means to enable the Company to attract and retain high quality human talent in the employment of the Company;
- ii) To motivate the Employees of the Company with incentives and reward opportunities.
- iii) To achieve sustained growth of the company and creation of shareholder value by aligning the interests of the Employees with the long term interests of the Company; and
- iv) To create a sense of ownership and provide the Employees, with wealth creation opportunities, while in employment of the Company.

2.2 The Company desires that Options for equity shares of the Company should be granted to certain Employees, Officers, Directors of the Company and its subsidiary pursuant to a structure where under:

- i) The Irrevocable Trust (as defined below) is settled by the Company;
- ii) The Company grants loans to the Trust from time to time within the prescribed limits in terms of applicable provisions of the Act and subject to

the approval of the shareholders for the purpose of subscribing to the Shares not more than 7.5% of the issued share capital of the Company;

- iii) The Trust shall use the funds received by it pursuant to the loans received from the Company to purchase the Shares;

In accordance with this ESOP Plan, Options shall be granted to certain Employees, Officers and Directors of the Company and its subsidiary, eligible under this ESOP Plan to purchase the Shares from the Trust at a specified price. It is clarified that (i) an employee of the Company who is a promoter or belongs to the promoter group; and (ii) a director who either himself or through his relative or through anybody corporate, directly or indirectly, holds more than ten per cent of the outstanding equity shares of the company will not be granted Options under the ESOP Plan.

III. Definitions and Interpretation

- 3.1 In this document, the following expressions including their grammatical variations or cognate expressions shall, where the context so admits, have the following meaning:

- i) **'Applicable Law'** means every law related to Employee Stock Options, to the extent applicable, including without limitation to the Companies Act, SEBI (Share Based Employees Benefit) Regulations, 2014, all relevant tax, securities, exchange control, corporate laws of India or of any other relevant jurisdiction, or rules of any stock Exchange on which shares are to be listed or quoted which deems to include any amendment and reenactments thereof.
- ii) **'Board / Board of Directors'** means the Board of Directors of the Company from time to time and where the context so requires includes the Board of Directors of the Holding Company and/or its Subsidiaries.
- iii) **'Common Stock'** means the equity shares of the Company and includes any securities convertible into equity shares.

- iv) **'Company'** means Lemon Tree Hotels Limited (Formerly Krizm Hotels Private Limited), having its registered office at Asset No. 6, Aerocity Hospitality District, New Delhi-110037, its successors and assigns and where the context so requires includes its Holding Company and/or its Subsidiary.
- v) **'Companies Act, 2013'** means the Companies Act, 2013 and rules made thereunder and includes any statutory modifications or reenactments thereof.
- vi) **'Compensation Committee'** means Nomination and Remuneration Committee of the Company as reconstituted by the Board of Directors in their meeting held on June 15, 2017 comprising of such members of the Board as required under Section 178 of the Companies Act and the Securities and Exchange Board of India(Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.
- vii) **'Control'** shall have the same meaning as defined under Securities and Exchange Board of India(Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- viii) **"Corporate action"** means a change in the capital structure of the Company as a result of re-classification of Shares, sub-division of Shares, consolidation, 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, issue of shares on rights basis and any other form of equity share issuance.
- ix) **'Disability'** shall mean "Disability" as defined in any applicable agreement between the Grantee and the Company or if there is no such agreement or Disability is not defined therein, then a grantee's becoming physically or mentally incapacitated, as confirmed by the medical doctor of the Company, so that he is therefore reasonably expected to be unable to perform his duties to the Company.

- x) **'Eligibility Criteria'** means the criteria as may be determined from time to time by Compensation Committee for granting of Employee Stock Options to the Employees.
- xi) **'Emergency'** means the need of funds by the trusts to meet the commitment arising out of the objective of the Scheme.
- xii) **'Employee'** means:
 - (a) a permanent employee of the company who has been working in India or outside India; or
 - (b) a director of the company, whether a whole time director or not but excluding an independent director; or
 - (c) an employee as defined in clauses (a) or (b) of a subsidiary, in India or outside India, or of a holding company of the company but does not include-
 - (i) an employee who is a promoter or a person belonging to the promoter group; or
 - (ii) a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the company.
- xiii) **'Exercise'** in relations to Options means, making of an written application by an employee to the company or to the trust for the issue of shares, against vested options in pursuance of the ESOP Plan, under Part A of SEBI(SBEB) Regulations..
- xiv) **'Exercise Date'** means the date on which an Employee of the Company elects to Exercise the Options.
- xv) **'Exercise Period'** means the time period after vesting within which an employee should exercise his right to apply for shares against the vested option.
- xvi) **'Exercise Price'** means the price payable by the eligible Employee for exercising the Option granted to him in pursuance of this ESOP Plan.

- xvii) **'Grant'** means the process by which the company issues options, shares or other benefits under the ESOP Plan.
- xviii) **'Grant Date'** means the date on which Compensation Committee approves the grant.
- xix) **'Holding Company'** means a Holding company as defined under the Act and as altered from time to time.
- xx) **'Independent Director'** means a Director within the meaning of Section 149(5) of the Companies Act, 2013 read with SEBI(Listing Obligations and Disclosure Requirement) Regulations, 2015
- xxi) **'IPO'** means Initial Public Offer of the Company's shares resulting in listing of the shares on any Recognized Stock Exchange.
- xxii) **'Key Managerial Personnel'** shall have the same meaning as defined under section 2(51) of the Companies Act, 2013
- xxiii) **'Market Price'** prior to Listing shall mean the fair market value of a Share on the date of grant determined by the Independent Valuer or any other valuer as per Applicable Laws. Market Price after Listing shall mean the latest closing price, prior to the date of grant of options, by the compensation committee, on the recognized stock exchange on which shares of the company are listed. In case shares of the Company are listed on more than one stock exchange, then the closing price on the Stock Exchange, where the highest trading volume on the said date shall be considered.
- xxiv) **'Option'** or **'Stock Option'** means a right but not an obligation granted to an eligible Employee to subscribe for Shares or any Resultant Shares in pursuance of this ESOP Plan to apply for Shares of the Company at a pre-determined price and upon such terms and conditions as may be specified.

xxv) **'Option Grantee'** means an eligible Employee who has been granted Stock Options pursuant to this ESOP Plan where the context so requires includes his legal heirs and/or designated nominee/beneficiary.

xxvi) **'Promoter'** shall have the same meaning assigned to the term under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirement) Regulations, 2009, as amended.

Provided that in case Shares of the Company are not listed on any recognized Stock Exchange, the term shall have the same meaning as assigned to in the Companies Act, 2013

xxvii) **'Promoter Group'** shall have the same meaning assigned to the term under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirement) Regulations, 2009, as amended.

Provided that where the Promoter or Promoter Group of a Company is a Body Corporate, the promoters of the Body Corporate shall also be deemed to be Promoters of such Company.

Provided further that in case Shares of the Company are not listed on any recognized Stock Exchange, the term shall have the same meaning as assigned to in the Companies Act, 2013

xxviii) **'Recognized Stock Exchange'** means stock exchange in India recognized by Securities Board and Exchange Board of India or stock exchange outside India recognized by similar regulatory authorities of the countries outside India.

xxix) **'Relative'** shall have the same meaning as defined under section 2(77) of the Companies Act, 2013

xxx) **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 or to the trust by the employee;
- xxxix) '**Resultant Shares**' means the equity shares issued in lieu of Shares of the Company on any Change in Capital Structure or on any Corporate Action as mentioned in this ESOP Plan.
- xxxii) '**Share**' means equity shares of the Company and the securities convertible into equity shares.
- xxxiii) '**Strategic Sale**' refers to the sale of entire issued, subscribed and paid up equity share capital of the Company and/or any event resulting from Corporate Action undertaken by the Company.
- xxxiv) '**Subsidiary**' means a subsidiary company as defined under the Act and as altered from time to time.
- xxxv) '**Tenure**' or '**Plan Tenure**' means the period from approval of this ESOP Plan till the end of vesting period of options granted before the Date of IPO during which the ESOP Plan is effective.
- xxxvi) '**Trust**' means KRIZM HOTELS P. LTD. EMPWELFARE TRUST created and established by the Board of Directors of the Company for holding the Shares for the benefit of the eligible Employees in accordance with the terms and conditions of this ESOP Plan.
- xxxvii) '**Trustees**' means the trustees of the Trust for the time being and persons nominated/appointed as such from time to time by the Board of Directors of the Company and to perform such actions and deeds as stipulated in the Trust Deed.
- xxxviii) '**Vesting**' means the process by which the eligible Employee becomes entitled to receive the benefit of Grant made to him pursuant to the Scheme
- xxxix) '**Vesting period**' means the period during which the Vesting of the Option granted to the eligible Employee, in pursuance of this ESOP Plan, takes place.

3.2 Except where the context requires otherwise, this ESOP Plan will be interpreted as follows:

- i) in this ESOP Plan headings are for convenience only and shall not affect the interpretation hereof.
- ii) where a word or phrase is defined, other parts of speech and grammatical forms and the cognate variations of that word or phrase shall have corresponding meanings.
- iii) words importing the singular shall include plural and vice versa.
- iv) reference to Clauses, Articles, Annexures are to clauses, articles, annexures of this ESOP Plan.
- v) words denoting one gender include the other gender.
- vi) any reference in this ESOP Plan to a statutory provision includes that provision and any regulation made in pursuance thereof, as from time to time modified or re-enacted, whether before or after the date of this ESOP Plan.

IV. Share Pool of the Scheme:

Subject to Clause 2.2 of this Scheme, the stock options under the ESOP Scheme of the Company after listing of the shares at the stock exchange be restricted to 58,33,781 options to be convertible into 58,33,781 equity Shares.

The options issued pursuant to this Scheme shall be convertible into equal number of Equity shares of the Company.

Further, the maximum number of options granted and the shares arise upon exercise of these options shall stand adjusted in case of bonus shares, Consolidation, Split and Re-organisation of capital structure.

V. Creation and Funding of the Trust

- 5.1 The Trust shall hold the Shares, for and on behalf of the eligible Employees, in accordance with the terms and conditions of this ESOP Plan. The Trust has been settled by the Company with a nominal amount of Rs. 10,000/-. The Existing Trustee of the Trust are Mr. Vikramjit Singh, Ms. Aradhana Lal and Mr. Rajiv Tyagi. The Trust Deed will provide, inter alia, that the Trust

would hold the funds and other assets of the Trust for the benefit of the eligible Employees in accordance with this ESOP Plan from time to time, as may be approved by the Board of Directors and the shareholders of the Company.

- 5.2 The Trust Deed will authorize the trustees to borrow funds from the Company for the purpose of subscribing to the Shares for the eligible Employees in accordance with applicable provisions of the Act.
- 5.3 The Trust shall acquire shares by way of fresh allotment from the Company. The trust shall utilize such shares for the purpose of transferring them to the Grantees upon Exercise of the Options under the Scheme.
- 5.4 All transactions done by the Trust will be at arm's length and with uniform application to all groups of shareholders and no preferential treatment to a particular individual or group of shareholders shall be given, except in those cases as may be specifically approved by the Compensation Committee.
- 5.5 The trust will keep and maintain proper books of account, records and documents, for the plan so as to explain its transactions and to disclose at any point of time the financial position of the plan and in particular give a true and fair view of the state of affairs of Plan.
- 5.6 The trustees of a trust, shall not vote in respect of the shares held by such trust, so as to avoid any misuse arising out of exercising such voting rights.
- 5.7 For the purposes of disclosures to the stock exchange, the shareholding of the trust shall be shown as 'non-promoter and non-public' shareholding.
- 5.8 The Trust shall transfer the Shares to Grantees in the manner specified by the Committee. The Trustee(s) of the Trust shall administer the transfer of shares to the Grantee as per the directions of the Committee and as stipulated in the scheme.
- 5.9 For the purpose of acquisition of shares by the said trust, the Trust maybe funded by the Company, either through a loan or any other form of financial assistance permissible under Applicable Laws. The Company shall

comply with the provisions of Companies Act, 2013 for administration and implementation of scheme through Trust. Further, the Trust may take loan from banks or any other source under Applicable Laws.

VI. ADMINISTRATION

6.1 This ESOP Plan shall be implemented through the Trust under the supervision and guidance of the Compensation Committee and in accordance with the provisions of the Act. The issuance of Shares from the Trust by the Trustees will be under the guidance, advice and direction of the Compensation Committee. The re-purchase of any Shares, whether from eligible Employees, ex employees, or any other personnel whom the Grant was offered shall be based on the recommendations and suggestions of the Trustees, who will seek the requisite approval from the Compensation Committee for all such transactions and keep the Compensation Committee informed of such actions. The Trustees will act as custodians of the matters and issues relating to and arising out of finances and Shares available with the Trust. The Trust shall retain the physical custody of Shares certificates issued after the Grants are exercised by eligible Employees under this ESOP Plan.

6.2 The Compensation Committee shall in accordance with this plan and applicable laws shall determine the following:

- a) The eligibility criteria for grant of Employee Stock Options to the Employee
- b) The quantum of Employee Stock Options to be granted under this amended ESOP Plan.
- c) Terms and conditions in respect of grant to, vest in and exercise of options by the employees which may be different for different classes of employees falling in the same tranche of grant of options issued under ESOP Plan.
- d) The procedure for cashless exercise of Employee Stock Options, if required.
- e) Approve forms, writings and/or agreements for use in pursuance of ESOP Plan.
- f) The procedure and terms for the grant, vest and exercise of Employee Stock Options in case of employees who are on long leave.

6.3 In case of Listing, the Compensation Committee shall frame suitable policies and procedures to ensure that there is no violation of securities laws, amended from time to time, including Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and Securities Exchange Board of India (Prohibition of Fraudulent Unfair Trade Practices relating to the Securities Market) Regulations, 2003 by the Company, Employees and all concerned, as applicable.

VII. Effective Date

7.1 As per the resolution unanimously passed by the Board of Directors at its meeting held on 18th July 2006, this ESOP Plan shall be deemed to have come into force on and from the date of approval of shareholders in their meeting and the amended ESOP Plan shall have come into force on August 21, 2017 on approval of shareholders of the Company

VIII. Grant of Options

8.1 The Grant of Options shall be offered and made in accordance with the following:

➤ *The Grant and Price*

- i) The Compensation Committee shall recognize special category of eligible Employees, based on specific criteria viz. seniority level in the Company, key resource, long-term association with the Company, etc.

- ii) Options may be granted to the employees of the Company, subsidiary companies in India and Abroad, and Holding Company as determined by the Compensation Committee at its own discretion. As such, the plan shall be applicable to the Company, Subsidiaries Companies in India and Abroad, Holding Company and any successor company thereof.

Provided that Grant to the Employees of any subsidiary company or Holding Company shall required prior approval of the Shareholders of the Company.

- iii) The Grant, under this ESOP Plan shall be made at such price, to such eligible Employees as may be determined by the Compensation Committee as the case may be in accordance with the applicable provisions of the Act and shall also be specified in the Grant. No amount shall be payable by an employee at the time of grant of Options.
- iv) The maximum number of Shares/Options to be granted to eligible Employees falling under this ESOP Plan shall be 7.5% of the issued share capital of the Company.
- v) The Grant shall be in writing and shall specify the number of Options granted, the price payable for exercising the Options, the earlier date on which some or all of the Options and the Shares acquired under the Grant shall be eligible for Vesting, fulfillment of the performance and other conditions, etc, if any, subject to which Vesting shall take place and other terms and conditions thereto.

Any eligible employee who wishes to accept the grant under this Plan must deliver to the Company a duly signed acceptance of the Letter of Grant on or before the specified date as mentioned in the letter of grant and which cannot be more than 60 days from the date of grant. On receipt by the Company of the signed acceptance, the eligible employee shall become an Options Grantee.

The Shares to be offered pursuant to a Grant under this ESOP Plan shall be from the paid up share capital of the Company or Common Stock previously issued and outstanding and reacquired by the Company. Shares subsequently purchased by the Company/ Trust from Grantees would be available for Grant of further Stock Options within this ESOP Plan's tenure.

- vi) Options granted to an eligible Employee are not transferable to any other person.
- vii) Options granted shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.
- viii) No person, other than the eligible Employee to whom the Option is Granted, shall be entitled to exercise the Option.
- ix) If a Grantee dies or becomes totally and permanently disabled while in employment of the Company; the Granted Stock Options (vested or unvested) shall vest with the legal heirs or nominees of deceased employee or with the eligible Employee, as the case may be, and the Options must be Exercised as below: -
 - a. In case of death, all the Granted Stock Options till the date of death shall vest in the legal heirs or nominees of the deceased employee on that date and shall be exercised within 90 days from the date of death.
 - b. In case of total and permanent disability, all the Granted Stock Options upto the date of total and permanent disability shall vest in him on that day and shall be exercised within 90 days from the date of disability.
- x) In the event of resignation, termination or retirement of the eligible Employee, all Options not vested as on that day shall expire. However, the employee can exercise the options granted to him which are vested within the period of maximum 90 days from the last working day.
- xi) In the event that an employee who has been granted benefits under a scheme is transferred or deputed to an associate company prior to vesting or exercise, the vesting and exercise as per the terms of grant shall continue in case of such transferred or deputed employee even after the transfer or deputation.

xii) In the event of Termination of the Employment

If an employee is terminated due to misconduct or ethical/ compliance violations, all options granted whether vested or not shall stand terminated with immediate effect unless otherwise determined by the Committee, whose determination will be final and binding.

All Shares acquired under this ESOP 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.

IX. Vesting of Options

9.1 Vesting Plan

The Vesting period will be decided by the Compensation Committee as and when any Grant takes place. However there shall be a minimum period of one year between Grant and first Vesting and a maximum vesting period of 5 years, before the Options can be exercised.

9.2 Vesting Period

The Vesting period for the Grant shall in general, unless specifically approved by the Compensation Committee, be as follows:

Period of service from the date of Grant of Stock Options	Percentage of Stock Options that shall vest
End of 12 months	10%
End of 24 months	20%
End of 36 months	30%
End of 48 months	40%

Notwithstanding anything to the contrary in this ESOP Plan, the Compensation Committee shall be entitled in his absolute discretion, to vary or alter the Vesting Date from Employee to Employee or any class

thereof, as he may deems fit. The Compensation Committee in his absolute discretion may permit the Options granted, which have not Vested to be exercised within such time and on such terms and conditions as he may determine.

Provided that in case where options are granted by a company under an ESOP Plan in lieu of options held by a person under an ESOP Plan in another company which has merged or amalgamated with that company, the period during which the options granted by the transferor company were held by him shall be adjusted against the minimum vesting period required under this sub-clause.

X. Exercise of Options

- 10.1 There shall be no lock-in after the Options have been exercised. The Vested Options would be eligible to be exercised on the Vesting Date itself or in parts during the Exercise period..
- 10.2 The options shall be deemed to have been exercised when an Employee make and application in writing to the Trust or by any other means as decided by the Compensation Committee for the transfer of Shares against the Options vested to him.
- 10.3 Options not exercised within the exercised period as mentioned above shall lapse and the Option Grantee shall have no right over such lapsed options. Under the Scheme, the Exercise period for the vested options will be 5 (Five) years from the date of last vesting.

Corporate Action:

Except as hereinafter provided, any grant made shall be subject to adjustment, by the Committee, at its discretion, as to the number and price of Options or Shares, as the case may be, in the event of 'Corporate Action' as defined herein.

If there is a 'Corporate Action' of the Company before the Options granted under this Scheme are exercised, the Employee shall be entitled on Exercise

of the Options, to such number of Resultant Shares to which he would have been entitled as if all of the 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. In the event of a Bonus Issue, sub-division or consolidation of capital, the Committee, subject to the provisions of applicable laws to the Stock options, shall make fair and reasonable adjustments under the Scheme, as it deems fit, with respect to the number of options, exercise price, distribution of sums and make any other necessary amendments to the Scheme for this purpose. The vesting period and life of the options shall be left unaltered as far as possible.

For any other corporate action not mentioned above the treatment of vested as well unvested options, shall be decided by the Committee and the decision of the committee will be final and binding.

XI. Purchase Plan

11.1 Whilst in employment:

Until IPO or a strategic sale of the Company, the eligible Employee who has exercised his Options shall not, other than as expressly provided for herein or as may be amended in this ESOP Plan, sell, pledge, mortgage, charge, encumber or otherwise dispose off or create any lien or interest in the underlying Common Stock, whether express or implied in any manner whatsoever.

The eligible Employee, who intends to sell his Exercised Options, shall first offer his Shares to the Trust and the Trust shall have right of first refusal to buy all, but not some of the Shares, at the then prevailing fair market value or market price as applicable. If Trust declines, then the same shall be facilitated by the Trust utilizing the methodology of Passaround amongst eligible Employee shareholders.

On the completion of Passaround, if there are Shares not taken up, the Trust may arrange for an outside buyer/third person to buy all or part of the Shares offered, at the then prevailing market value. The Employee may

withdraw his offer to sell the Shares or sell only to the extent the Shares have been taken up.

Any eligible Employee shareholder, who buys Shares vide above passaround, shall abide by the conditions that he shall not be entitled to sell, pledge, mortgage, charge, encumber or otherwise dispose off or create any lien or interest in the underlying Common Stock, whether express or implied in any manner whatsoever. This is also clarified that the Shares so purchased shall also remain in the custody of the Trust till the Exercise Price is not paid by the Employee.

This is to clarify further that those eligible Employees to whom the Grant was made, but have not exercised their Options, shall not be eligible for the aforementioned Passaround.

Eligible Employees will be able to exercise their Options at any time during the tenure of their services from the date of Vesting of the Options i.e. 1.4.xx till 31.3.xx+5. *The Exercise Price will be fixed for the year in which the Option is granted – the price at which Trust may buy the Shares shall be the variable* and will be announced annually based on the previous year's financial performance (PFY EBITDA) or such valuation as may be applicable under the prevalent laws..

In case of the valuation being lower than the Exercise Price, the eligible Employees will be able to relinquish their stock to the Trust at no cost.

In the absence of an IPO or an external mechanism by which an eligible Employee may exercise his Options and sell the resultant Shares, there will be a secondary exit mechanism as described in para (vi) which will be subject to an annual limit, to be set at the discretion of the Board of Directors. Should more Shares be put up for sale than this limit, Shares will be bought by the Trust on a prorata basis.

All the Shares purchased from or relinquished by eligible Employees will be put back into the ESOP pool.

In event of an IPO, the eligible Employee will be free to sell his Shares in the open market, subject to any holding restrictions by any Government Regulatory Authority and applicable law at such point of time.

In event of a strategic sale, all Vested Options of the eligible Employee will be exited in the currency of the transaction (cash or equity swap, as the case may be). With respect to unvested Options, they will be traded with Options under the new entity or they will be deemed as Vested and will be treated in the same manner as all other Vested Options, as may be determined by the Board of Directors and the Chairman & Managing Director at such point of time.

11.2 Whilst not in employment:

In case an eligible Employee separates from the Company, for any reason whatsoever, the following shall apply with respect to any Shares held by him, without exception:

At the time of separation, the eligible Employee may offer his Shares for purchase by the Trust or any other person nominated by Trust and the Trust must buy all such Shares at the then prevailing fair market value.

The Trust shall not be bound by any consent or dissent of any eligible Employee or Director or any other party for dealing with such Shares. The Trust shall under be no obligation to discuss or give declaration to any person, by whatever name called, while dealing with such Shares/securities.

For the purpose of this Clause, separation includes termination of employment.

In event of an IPO, the ex-employee will be free to sell his Shares in the open market, subject to any holding restrictions by any Government Regulatory Authority and applicable law at such point of time.

XII. ESOP Pricing, Valuation and Purchase Methodology

The Compensation Committee, at its own discretion and without giving any prior notice, determine the Exercise Price (including the part of the price payable at the time of exercise and amount to be called up later), being not less than face value of shares and in conformity with the applicable accounting policies or standards, as applicable,. All Options contracted previous to the change will however not be affected.

- i) At the end of a financial year (PFY), the fair value (FV) of an equity share of the Company will be calculated on the following basis:

EBITDA of PFY x 11 times/Total number of Shares (partly and fully paid up and total ESOP Options granted) as at the end of the PFY. This will be the Fair Value (FV) of the Share for the entire period of the current financial year (CFY).

Should an eligible Employee wish to cash in on an Option which has vested with him at a price of say Rs. X, the Trust will then repurchase the Shares from him and will pay the employee the difference i.e. Rs. FV-X per share.

The Shares will then be returned to the ESOP pool.

Example

CFY = 2017/16, PFY = 2016/15, EBITDA, 2017/16 = say Rs. 2.5 crores

Total shares outstanding in 2017/16 = say 25 lacs or 0.25 crores

So FV in 2017/16 = $2.5 \times 11 / 0.25 = \text{Rs. } 110$

If an eligible Employee who has 20,000 Shares at an exercise price of Rs. 46 wishes to sell 5,000 Shares (25% of total) to the Company, the Trust will pay such eligible Employee Rs. $(110-46) \times 5,000 = \text{Rs. } 3.2$ lacs. The 5,000 Shares so purchased shall be transferred to any shareholder of Company.

Eligible Employees will be Granted Options in the current financial year at a price discounted by 20% over the FV applicable for that financial year or the last sale price of an equity share, whichever is higher.

In the example above, if the Company now allots equity shares to another eligible Employee, it will do so at an exercise price of Rs. 88 (i.e. 20% discount on FV), providing no external sale of shares has happened in the meantime, at a price in excess of Rs. 110 per share.

An eligible Employee can sell the total number of Shares that have vested in his name in any financial year, over a total period of 4 years, provided that, not more than 25% of the total number of Shares that have vested in his name in any financial year can be sold in a single financial year. However the Compensation Committee of the Company, entirely on his discretion, may permit this percentage to increase to 100%.

If an eligible Employee does not fully exercise his limit of selling the number of Shares upto 25% in any financial year, then his unexercised limit of selling the number of Shares will be added to the limit of the next financial year.

Example

If an eligible Employee who has 20,000 Shares as on 01.04.xx can sell only 5,000 shares (25% of 20,000 Shares) during the financial year xx-xx+1.

If he sold only 2,000 Shares (10% of 20,000 Shares) during the financial year xx-xx+1, then he can sell upto 8,000 Shares (5,000 Shares + {5,000-2,000} Shares) during the financial year xx+1-xx+2 i.e. 40% of 20,000 Shares {25% of 20,000 Shares (Current financial year limit) + (25% limit - 10% limit of the last financial year) of 20,000 Shares}.

No eligible Employee may sell more than 25% of the total number of Shares that have vested (cumulatively) in his name in any financial year. However the Compensation Committee of the Company, entirely on his discretion, may permit this percentage to increase to 100%.

XIII. Structure

An Option Grantee will receive copies of all documents that are sent to the shareholders of the Company. This will include the annual accounts of the Company as well as notices of general meetings and the accompanying explanatory statements and related documents.

XIV. Certificate from Auditors

After listing, the Board shall at each annual general meeting place before the shareholders a certificate from the Auditors of the Company that the Plan has been implemented in accordance with SEBI SBEB regulations and in accordance with the resolution of the Company in the general meeting.

XV. General Terms

Listing of the Shares under this ESOP Plan: If the Shares are listed, the Shares of the Company issued under this ESOP Plan to the eligible Employees will be listed in the Stock Exchanges where the Shares are listed.

Liquidation: In the event of liquidation of the Company, all the Options not granted shall automatically lapse.

No Right or Claim: The option Grantee shall not have right to receive any dividend or to vote or in any manner or enjoy the benefits of a shareholders in respect of options granted, till shares underlying such options are issued upon exercise. Nothing in this ESOP Plan shall confer any right or claim in favour of any person for a Grant. Nothing in this ESOP Plan, or any Options granted under this ESOP Plan, shall confer upon the Grantee any right to continue to be an Employee for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company. The Company expressly reserves the right, at any time, to terminate the employment of the Grantee, free of any liability or claim under this ESOP

Plan, except as expressly provided in this ESOP Plan. The rights and obligations of any eligible Employee shall not be affected by participation in this ESOP Plan. This ESOP Plan shall not form part of any employment agreement between the Company and the eligible Employee.

Tax Liability: The Grantees and the persons acquiring rights to the Options under this ESOP Plan shall be solely liable for any tax liability arising on account of issue or Grant of Options, Exercise of Options under this ESOP Plan or disposal of any Shares acquired pursuant to this ESOP Plan.

Dispute Resolution and Jurisdiction:

This ESOP Plan shall be subject to requisite approvals and registration requirements under applicable laws, rules and regulations. The Company shall not be obliged to issue any Shares under this ESOP Plan unless the issuance of such Shares complies with all laws, rules and regulations applicable to the Company.

Any dispute or differences arising out of or in connection with this ESOP Plan (including the validity or interpretation hereof) shall be settled through arbitration by a sole arbitrator, under the provisions of the Arbitration and Conciliation Act, 1996. The venue of Arbitration shall be New Delhi.

The Parties submit to the jurisdiction of the Courts of New Delhi.

Applicability of provisions of Memorandum and Articles of Association: This ESOP Plan and the Shares that may be allotted pursuant to this ESOP Plan shall be subject to the provisions of the Memorandum and Articles of Association of the Company and the Act.