

Finolex Industries Limited  
Employee Stock Option Scheme/Plan

Finolex Industries Limited - Employee Stock Option Scheme/Plan has been formulated by the Board of Directors of the company and approved by it at its meeting held on 3rd April, 2001, pursuant to the authority vested in it by the shareholders at the Extraordinary General Meeting of the company held on 3<sup>rd</sup> April, 2001.

1. **SHORT TITLE, EXTENT AND COMMENCEMENT**

a) This Employee Stock Option Scheme/Plan may be called "Finolex Industries Limited Employee Stock Option Scheme/Plan" ("FIL ESOS").

b) It applies only to Eligible Employees of the Company including Directors in whole-time employment, and it shall be deemed to have come into force after full repayment of the loan taken by 'Finolex Industries Limited - Employees' Welfare Trust' for purchase of shares from the Company for offering the stock options to the employees of the Company, or on 1<sup>st</sup> April, 2006 whichever is later.

2. **OBJECT**

FIL ESOS is in pursuance of a resolution passed by the Board of Directors of the Company and the shareholders of the Company with the object of granting Options convertible into Shares of the Company on Exercise of such Options. FIL ESOS has been so designed so as to align rewards with the creation of value, attract and retain talent and remain competitive in the talent market and strengthen interdependence between individual and organization prosperity.

3. **DEFINITIONS**

In this FIL ESOS, unless the context otherwise requires

- a) "Board" means the Board of Directors of the Company.
- b) "Company" means Finolex Industries Limited having its registered office at D1/10, MIDC, Chinchwad, Pune -411 019 and any permitted successors and assigns thereof.
- c) "Compensation Committee" means a Committee of Directors of the Company as constituted by the Board of Directors of the Company consisting a majority of independent Directors and entrusted with the authority to formulate, implement and administer the FIL ESOS.
- d) "Director" means a member of the Board.

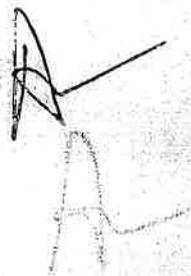
**(Certified to be a true copy)**  
**For Finolex Industries Limited**

  
Anil B. Atré  
Company Secretary &  
General Manager Administration

- e) "Employee" means any permanent employee of the Company including a whole-time Director whose name is appearing on the Company's roll. However, the following persons shall not be deemed to be Employees for the purpose of this Scheme/Plan:
1. Any employee or Director of the Company who is a Promoter
  2. Any employee or Director belonging to the Promoter Group
  3. Any Director who either by himself or through his relative or through any body corporate, directly or indirectly holds more than 10% of the outstanding Shares of the company.

The terms "Promoter" and "Promoter Group" shall have the same meaning as assigned to them in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

- f) "Eligible Employee" means a permanent Employee of the company whose name is appearing on the Company's roll for a period of one year and who qualifies for issue of Shares in the Company under this Scheme/Plan by fulfilling the conditions prescribed in the appraisal process by the Compensation Committee
- g) "Exercise" means making of an application by the Employee to the Company for issue of shares against Options vested in him in pursuance of the FIL ESOS.
- h) "Exercise Application" means the application form as may be prescribed, in which the Employee has to apply to the Company for exercising Options granted to him along with the cheque/demand draft in respect of the Exercise Price.
- i) "Exercise Period" means the time period of three months after vesting within which the Employee should Exercise his right to apply for fully paid up equity shares against the Options vested in him in pursuance of the FIL ESOS.
- j) "Exercise Price": The options will be priced at face value of the equity shares.



- k) "Grant" means issue of Option to Employee under FIL ESOS.
- l) "Guidelines" shall mean the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999.
- m) "Letter of Grant" means the letter issued by the Company intimating the Eligible Employee of the Options granted to him/her for acquiring a specified number of Shares at the Exercise Price.
- n) "Option" means a right but not an obligation granted to an employee in pursuance of ESOS to apply for Shares of the company at a pre-determined price.
- o) "Permanent Disability" means, with respect to a person, a physical or mental impairment of sufficient severity that, in the opinion of the Company, results in the person not being able to continue performing the duties the person performed before such impairment and that impairment or condition is cited by the Company as the reason for termination of person's employment with the Company.
- p) "Scheme/Plan" means the FIL ESOS to the plural and vice versa, and reference to the Scheme includes a reference to all other documents.
- q) "Share" means equity share or security convertible into equity share and shall include American Depository Receipts (ADRs), Global Depository Receipts (GDRs) or other depository receipts representing underlying equity Share or security convertible into equity share.
- r) "Subsidiary" means a subsidiary company, whether now or hereinafter existing within the meaning of Section 4 of the Companies Act, 1956.
- s) "Trust" means the "Pinolex Industries Limited - Employees' Welfare Trust"
- t) "Trust Deed" or "Deed" means the Trust Deed dated 4<sup>th</sup> April, 2001 and including any legally effective variation/modification/ amendment / replacement thereof.
- u) "Vesting" means the process by which the employee is given the right to apply for share of the Company against the Option granted to him in pursuance of this Scheme/Plan.

- v) "Vesting Period" means the period of twelve months during which the Vesting of the Option granted to the employee in pursuance of this Scheme/Plan takes place.
- w) "Vested Option" means an Option in respect of which the relevant Vesting Period is over.
- x) "Vesting Schedule" shall mean the Schedule in accordance with which the Unvested Options shall vest in the employee, as may be decided by the Compensation Committee.
- y) "Unvested Option" means an Option in respect of which the relevant Vesting Period is not over.

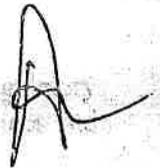
**Interpretation**

- (1) References to the Eligible Employee will include his successor, legal heir, executor, nominee and administrator of such Eligible Employee only where such successor, legal heir, nominee and administrator are entitled to the Option/Share pursuant to this Scheme/Plan.
- (2) Reference to the singular includes a reference to the plural and vice versa, and reference to any gender includes a reference to all other genders; and
- (3) The Annexures to this Scheme/Plan shall be deemed to form an integral part of this Scheme/Plan.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Guidelines, Securities and Exchange Board of India Act, 1992 or the Securities Contracts (Regulation) Act, 1956 or the Companies Act, 1956, SEBI Guidelines on Disclosure and Investor Protection or any statutory modification or re-enactment thereof, as the case may be.

**4. SCOPE AND ELIGIBILITY**

The Scheme/Plan shall apply to all the Eligible Employees.



5. ADMINISTRATION OF THE SCHEME/PLAN

- a. The Compensation Committee, appointed by the Board of Directors, shall administer the Scheme/Plan.
- b. The number of Shares, which shall be issued under FIL ESOS, will not exceed 5,000,000 fully paid up equity shares of Rs.10 each of the Company.
- c. The Trust would grant Options to the Eligible Employees, as per this Scheme/Plan.
- d. Notwithstanding anything stated herein, but subject to the terms of the resolution passed by the shareholders at the Extraordinary General Meeting of the Company held on 3<sup>rd</sup> April, 2001, approving the issue of shares to the Trust pursuant to the FIL ESOS and the Guidelines and other regulations prescribed by the Securities and Exchange Board of India, Department of Company Affairs and any other authority the Compensation Committee in its absolute discretion has been authorized to determine all the terms governing the FIL ESOS including any variation thereof and including but not limited to -
  - o the number of tranches in which the Options are to be granted shall not exceed twelve nos. per year and the number of Options to be granted in each of such tranche shall not exceed five lacs per tranche;
  - o the criteria for determining the number of Options to be granted to Eligible Employees;
  - o the terms and conditions subject to which the Options granted would vest in the Eligible Employees;
  - o the terms and conditions subject to which the Options vested would be exercised by the Eligible Employee;
  - o conditions under which the Options vested in the Eligible Employee may lapse in case of termination of employment for misconduct;
  - o the procedure for making fair and reasonable adjustment to the number and Options and Exercise Price in case of any corporate actions;
  - o obtaining permissions from and making periodic reports to regulatory authorities, as may be required and ensuring compliance with all rules and regulations applicable to the FIL ESOS.

- framing suitable policies and systems to ensure that there is no violation by any participant of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, Securities Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and any statutory modifications and re-enactments thereof.
- framing appropriate procedures for granting, vesting and exercising of Options, including fixing of lock-in period, that is the period between the Grant of Option and the Vesting of Option, which shall never be less than one year.
- procedure for making a fair and reasonable adjustment to the number of Options and to the exercise price in case of Eligible Employees who are on long leave.

The terms prescribed by the Compensation Committee shall be final and binding on all the employees.

#### 6. GOVERNMENTAL REGULATIONS

This Scheme/Plan shall be subject to all applicable laws, rules, and regulations and to such approvals by any governmental agencies as may be required. The allotment/grant of Shares/Options under this Scheme/Plan shall entitle the Company to require each Eligible Employee to comply with such requirements of law as may be necessary in the opinion of the Company.

#### 7. GENERAL RISKS

Participation in this Scheme/Plan shall not be construed as any guarantee of return on the equity investment. Any loss due to fluctuations in the market price of the Shares and the risks associated with the investment is that of the Eligible Employee alone.

#### 8. ALLOCATION OF OPTIONS

Options will be granted by Trust to Eligible Employees as decided by the Compensation Committee from time to time, subject to compliance by the Company with the guidelines and accounting policies as may be specified from time to time. Trust may grant options not exceeding five lac per year in maximum twelve tranches and in each tranche Trust may grant maximum five lac options. The number of options per employee shall be as advised by compensation committee.

9. INDIVIDUAL LIMITS FOR GRANT OF OPTIONS

No single Employee shall be granted in a year Options to purchase more than 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of Option.

10. OPTIONS:

10.1 Grant of Options:

- a) The no. of Options to be granted to one or more Eligible Employees shall be as advised by the Compensation Committee to the Trust from time to time.
- b) The Options shall not be transferable by the Eligible Employee. The said Options cannot be pledged or hypothecated or charged or mortgaged or assigned or encumbered in any other manner. Subject to sub-clause (d) below, no person other than the Eligible Employee to whom the Option is granted shall be entitled exercise the Option.
- c) The Options granted to the Eligible Employees shall always be convertible into Shares.
- d) In the event of an Eligible Employee ceasing to be an employee of the Company for reason of resignation or termination of employment due to reason of nonperformance, misconduct or otherwise, the Unvested Options held by him/her shall forthwith lapse and shall stand cancelled. In case of termination of employment for misconduct, the Vested Options held by the employee, if so determined by the Compensation Committee, shall lapse forthwith and stand cancelled and the amount paid, if any, alongwith the application shall become refundable.

Subject to the aforesaid, in case of Vested Options, the incumbent shall have to compulsorily Exercise all the Vested Options to the extent exercisable within a period of 1 month from the date of resignation or termination, as the case may be. In the event that the Vested Options are not exercised within the Exercise Period, the Vested Options shall forthwith lapse and shall stand cancelled.

In the event of death of the Eligible Employee while in employment all Options granted to him/her shall be transferred to the legal heirs or nominee of the employee and would vest immediately. The Options may be exercisable at any time within the Exercise Period.

- e) In the event of Permanent Disability of an Eligible Employee while in employment, all Options granted to him/her would vest immediately. The Options would be Exercisable at any time within the Exercise Period.

7) In the event of severance of employment of an Eligible Employee as part of reconstitution or amalgamation or sell-off of the Company, all Options granted to or held by the Eligible Employee would vest immediately and the Eligible Employee will have to exercise all the Options within a period of 1 month from the date of severance. In the event that the Options are not exercised within a period of 1 month from the date of severance, the Options would lapse and shall be cancelled forthwith. The Eligible Employee shall not have any right to options or shares in the merged/resulting/purchasing entity unless such Eligible Employee is expressly granted such right.

8) In the event the employment of an Eligible Employee being transferred to any Subsidiary at the instance of or with consent of the Company, the Eligible Employee will continue to hold all Vested Options and can Exercise the Vested Options anytime within the Exercise Period. All Unvested Options shall vest as per the Vesting Schedule. The Vested Options can be exercised any time during the Exercise Period.

9) In the event of retirement or superannuation of a Eligible Employee with the consent of the Company, Eligible Employee will continue to hold all Vested Options and can Exercise them anytime within the Exercise Period. All Unvested Options shall vest as per the Vesting Schedule. The Options can be Exercised any time within the Exercise Period.

10) The Eligible Employee shall not have any right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of one or more Options granted to him till Shares are issued or transferred to him in exercise of the Option, and his name is entered as a member in respect of those Shares in the Company's Register of Members.

11) The amount paid by the Eligible Employee, if any, at the time of Grant of Option:  
A) may be forfeited by the Company if the Option is not exercised by the Eligible Employee within the Exercise Period; or  
B) may be refunded to the Eligible Employee if the option is not vested due to non-fulfillment of conditions relating to vesting of options as per the Scheme/Plan.

12) The number of Shares, which may be acquired pursuant to the Exercise of Options granted under the Scheme/Plan, shall not exceed the number of Options granted to the Eligible Employee.

Upon the expiration or termination, for any reason, of an outstanding Option, which shall not have been exercised, any Shares then remaining un-issued, which shall have been reserved for issuance upon the Exercise of such Option shall

again become available to be granted by the Company to Eligible Employees under the Scheme/Plan.

10.2 Exercise of Option:

The Option may be exercised by the employee upon the payment of the Exercise Price during the Exercise Period, subject to any adjustments as provided herein or made by the Compensation Committee. (No. of times for option exercise)

The Exercise Period shall commence from the date of vesting and will not exceed period of three months.

10.3 Vesting Period :

- a) The Vesting Period after which an Eligible Employee is eligible to Exercise the Options shall be twelve months.
- b) In case the Eligible Employee does not exercise the Options within the Exercise Period then they shall lapse and shall be cancelled forthwith. No rights will accrue with respect to the cancelled Options after the date of cancellation and the amount paid, if any, at the time of grant of option shall be forfeited.
- c) The Eligible Employee can choose for conversion of the Options into Shares by applying to the Trust during the Exercise Period, by way of an Exercise Application.

10.4 Bonus Issue:

In the event that bonus issue of Shares is made by the Company during the Vesting Period, the said employee would be entitled to and be allotted proportionately higher number of Options (Bonus Options) only in relation to the Unvested Options. The Exercise Price per Option (Unvested Option plus Bonus Option) shall be adjusted so that the exercise amount payable, after the issue of Bonus Options, for all Options (Unvested Options plus Bonus Options) would be equal to the exercise amount payable on the Unvested Options, prior to grant of Bonus Options. The said Bonus Options shall be exercisable on the same terms as of the original Options. Bonus Options will be treated at par with the original Options for the purpose of the Vesting Period and Exercise Period. However, this shall be subject to and determined by the relevant regulations/guidelines issued by SEBI or any other regulatory authority.

10.5 Rights Issue of Shares:

In the event that rights issue of Shares is made by the Company during the Vesting Period, adjustment to the Exercise Price and/or number of Options of the said employee would be done on a pro-rata basis. However, this shall be subject to and determined by the relevant regulations/guidelines issued by SEBI or any other regulatory authority.

11. Shares

After the Options are exercised, the Shares so issued pursuant to such Exercise shall be subject to the terms and conditions as mentioned below:

- a) The Shares issued pursuant to the Exercise of an Option shall rank pari-passu with all the existing Shares of the Company.
- b) Any right attached to such Shares issued pursuant to the Exercise of any Option shall be with reference to a date subsequent to the date of allotment of the Shares.

12. TAX LIABILITY

- a) In the event the Eligible Employee is subject to any tax liability or claim arising on account of the grant of the Options or the issuance of Shares pursuant to the exercise of such Options or the sale/transfer of Shares, the liability shall be that of the Eligible Employee alone and the Trust/Company shall not be liable.
- b) In the event of any tax liability arising on account of grant of Options or the issuance of Shares pursuant to the Exercise of such Options or the

sale/transfer of Shares to the Company/Trust, Eligible Employee shall be liable to indemnify the Company/Trust for any such claim or liability.

13. CHANGES IN THE TERMS AND CONDITIONS OF THE FILESOS:

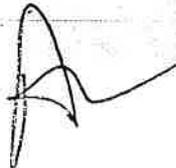
The shareholders in their Extraordinary General Meeting held on 3<sup>rd</sup> April, 2001 have authorised the Board of Directors of the Company in its absolute discretion to modify, change or revise the Scheme/Plan as the Board may consider necessary. Subject to the approval of the Board, the Compensation Committee may at any time at its discretion change the terms and conditions of this Scheme/Plan. This change however will not be to the detriment of the Option Grantee.

14. CONFIDENTIALITY:

- a) The Eligible Employee who holds any Options or shares pursuant to the exercise of any Options shall not disclose the contents of this Scheme/Plan or any other document or communication pursuant to this Scheme/Plan and his shareholding to any person except with the specific prior written permission of the Company, unless such disclosure is mandatorily required to be made under any law for the time being in force, in which case the Eligible Employee shall intimate the Company to that effect within reasonable time before he is required to make such disclosure.
- (b) The Eligible Employee shall enter into such agreement, as may be required from time to time to more fully and effectively implement this Scheme/Plan.

15. CONTRACT OF EMPLOYMENT:

- a) This Scheme/Plan shall not form part of any contract of employment between the Company and the Eligible Employee. The rights and obligations of any individual under the terms of his/her office or employment with the Company shall not be affected by his participation in this Scheme/Plan.
- b) Nothing in this Scheme/Plan shall be construed as affording an Eligible Employee any rights as to compensation or damages in consequence of termination of such office or employment for any reason.
- c) This Scheme/Plan shall not confer on any person any legal or equitable rights against the Company either directly or indirectly or give rise to any cause of action in law or equity against the Company.
- d) This Scheme/Plan is purely at the discretion of the Company.



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

