

PII - Employee Stock Option Scheme 2010

P I Industries Limited

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1. Name, Objective and Term of the Plan

- 1.1 This Plan shall be called the “**PII - ESOP 2010**”.
- 1.2 The objective of the **PII - ESOP 2010** is to reward the Employees for their past association and performance as well as to motivate them to contribute to the growth and profitability of the Company (including subsidiary companies / holding company, if any). The Company also intends to use this Scheme to attract and retain talent in the organization. The Company views employee stock options as instruments that would enable the Employees to share the value they create for the Company in the years to come.
- 1.3 The **PII - ESOP 2010** shall be effective on receipt of the approval from the shareholders in the Shareholders’ Meeting and shall continue to be in force until (i) its termination by the Board or (ii) the date on which all of the options available for issuance under the **PII - ESOP 2010** have been vested and exercised.
- 1.4 The Board of Directors may subject to compliance with Applicable Laws, at any time alter, amend, suspend or terminate the **PII - ESOP 2010**.

2. Definitions and Interpretation

2.1 Definitions

- i. “**Agreement**” means the Employee Stock Option Agreement between the Company and the Option Grantee evidencing the terms and conditions of an individual Employee Stock Option. The Agreement is subject to the conditions of PII ESOP 2010.
- ii. “**Applicable Laws**” shall mean every law relating to Employee Stock Options, including, without limitation to, the Companies Act, 1956, Securities Exchange Board of India Act, 1992, the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and all relevant tax, securities, exchange control or corporate laws of India or any relevant jurisdiction or of any stock exchange on which the shares are listed or quoted or any changes there into or by whatever name called.
- iii. “**Board**” means the Board of Directors of the Company.

- iv. **“Beneficiary”** means the person, persons, trust or trusts designated by a Participant, or in absence of any designation by participant, a person or persons who is/are entitled by will of the Participant to receive the benefits specified in the Plan, the legal heirs of the Participant, if the Participant dies intestate and includes the Participant’s executors or administrator, if no other beneficiary is designated and able to act under the circumstances and such other persons as may be added from time to time to the class of beneficiaries by notice in writing and by nomination form in the exercise of an powers conferred under the Plan or any other agreements forming part thereof.
- v. **“Companies Act”** means The Companies Act, 1956 and includes any statutory modifications or reenactments thereof.
- vi. **“Company”** means “P I Industries Limited”.
- vii. **“Company Policies/Terms of Employment”** means the Company’s policies for employees and the terms of employment as contained in the Employment Letter and the Company Handbook, which includes provisions for securing Confidentiality, Non Compete and non Poaching of other Employees and customers.
- viii. **“Compensation Committee”** means a Committee having a majority of Independent directors, constituted by the Board of Directors from time to time to administer PII ESOP 2010 or any other ESOP scheme (s).
- ix. **“Corporate Action”** shall have meaning as understood under the SEBI Guidelines.
- x. **“Director”** means a member of the Board of the Company.
- xi. **“Eligibility Criteria”** means the criteria as may be determined from time to time by the Compensation Committee for granting the Employee Stock Options to the employees.
- xii. **“Employee”** means (i) a permanent employee of the Company working in India or out of India; or (ii) a Director of the Company, whether a whole time Director or not; or (iii) an employee, as defined in sub-clauses (i) or (ii) in this Para, of a Subsidiary company, in India or out of India, or of a Holding company of the Company, but excludes

- a. an employee who is a Promoter or belongs to the Promoter Group;
 - b. a Director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the issued and subscribed Shares of the Company.
- xiii. **“Employee Stock Option” or “Option”** means the option granted to an Employee, which gives such Employee the right, but not an obligation, to purchase or subscribe at a future date the shares underlying the option at a pre-determined price.
- xiv. **“ESOP Trust / Trust”** means **“PII ESOP Trust”**, which is an Employee Welfare Trust, established by the company for the benefit of the employees of the company and which may from time to time administer the scheme (s) and hold cash, purchase/hold/transfer shares or other securities of the company for the purposes of any of the Employee Stock Option Plans of the Company.
- xv. **“Exercise”** of an Option means expression of an intention by an Employee to the Company to purchase the Shares underlying the Options vested in him, in pursuance of the **PII - ESOP 2010**, in accordance with the procedure laid down by the Company for exercise of options.
- xvi. **“Exercise Date”** means the date on which the Participant exercises his Options and in case of partial exercise shall mean each date on which the Participant in pursuance to PII-ESOP 2010 exercises part of his Options.
- xvii. **“Exercise Period”** means such time period after Vesting within which the Employee should exercise the options vested in him in pursuance of the **PII - ESOP 2010**.
- xviii. **“Exercise Price”** means the price payable by an Employee in order to exercise the Options granted to him in pursuance of the **PII - ESOP 2010**.
- xix. **“Grant”** means issue of Options to the Employees under the **PII - ESOP 2010**.
- xx. **“Holding company”** means any present or future holding company of the Company, as defined in the Companies Act, 1956.
- xxi. **“Market Price / Value”** means the latest available closing price, prior to the date of meeting of the Compensation Committee in which options are

granted/shares are issued, on the stock exchange on which the shares of the company are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered and as amended by SEBI from time to time, price as defined as market price by SEBI from time to time.

- xxii. **“Option Grantee”** means an Employee who has been granted an Employee Stock Option in pursuance of the **PII - ESOP 2010**.
- xxiii. **“Participant”** means a Grantee who accepts an offer from the Company to participate in the Plan
- xxiv. **“Permanent Disability”** means any disability of whatsoever nature, be it physical, mental or otherwise, which incapacitates or prevents or handicaps an Employee from performing any specific job, work or task which the said Employee was capable of performing immediately before such disablement, as determined by the Compensation Committee based on a certificate of a medical expert identified by the Board.
- xxv. **“Plan”** shall mean PII ESOP 2010 and shall include any alterations, amendments, additions, deletions, modifications or variations thereof from time to time.
- xxvi. **“Promoter”** means (a) the person or persons who are in over-all 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 as promoter(s). Provided that a director or officer of the Company, if they are acting as such only in their professional capacity will not be deemed to be a promoter.
- xxvii. **“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 purpose of disclosing in the offer document “shareholding of the promoter group”.
- xxviii. **“Recognised Stock Exchange”** means the BSE, NSE or any other Stock Exchange in India on which the Company’s Shares are listed or to be listed.
- xxix. **“Retirement”** means retirement as per the rules of the Company.

- xxx. **“Scheme / Plan / PII - ESOP 2010”** means this Employee Stock Option Plan 2010 and shall include any alterations, amendments, additions, deletions, modifications, or variations thereof from time to time under which the Company is authorised to grant Employee Stock Options to the Employees.
- xxxi. **“SEBI Act”** means the Securities & Exchange Board of India Act, 1992 as amended, and includes all regulations and clarifications issued there under.
- xxxii. **“SEBI Guidelines”** means the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended and includes all regulations and clarifications issued there under.
- xxxiii. **“Shares”** means equity shares of the Company arising out of the exercise of Employee Stock Options granted under the **PII - ESOP 2010**.
- xxxiv. **“Subsidiary company”** means any present or future subsidiary company of the Company, as defined in the Companies Act, 1956.
- xxxv. **“Unvested Option”** means an Option in respect of which the relevant Vesting Conditions have not been satisfied and as such, the Option Grantee has not become eligible to exercise the Option.
- xxxvi. **“Vesting”** means earning by the Option Grantee, of the right to Exercise the Employee Stock Options granted to him in pursuance of the **PII - ESOP 2010**.
- xxxvii. **“Vesting Condition”** means any condition subject to which the options granted would vest in an Option Grantee.
- xxxviii. **“Vesting Period”** means the period during which the vesting of the Employee Stock Option granted to the Employee, in pursuance of the **PII - ESOP 2010** takes place.
- xxxix. **“Vested Option”** means an Option in respect of which the relevant Vesting Conditions have been satisfied and the Option Grantee has become eligible to exercise the Option.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Securities and Exchange Board of India, 1992 or Guidelines issued thereunder including specially the SEBI (Disclosure and Investor Protection) Guidelines and the SEBI (ESOP) Guidelines, 1999 or the Securities Contracts

(Regulation) Act, 1956 or the Companies Act, 1956, or any modification or re-enactment thereof, as the case may be.

2.2 Interpretation

In this Plan, unless the contrary intention appears:

- a) the clause headings are for ease of reference only and shall not be relevant to interpretation;
- b) a reference to a clause number is a reference to its sub-clauses;
- c) words in singular number include the plural and vice versa;
- d) words importing a gender include any other gender;
- e) a reference to a Schedule includes a reference to any part of that Schedule which is incorporated by reference.

3. Authority and Ceiling

- 3.1 The **Shareholders** in its meeting on 21st January, 2011 has **resolved** to issue to employees under **PII - ESOP 2010**, Employee Stock Options exercisable into **not more** than 5% of the paid up equity share capital of the company at any time carrying face value of Rs. 10/- each, with each such option conferring a right upon the employee to apply for one equity share of the Company, in accordance with the terms and conditions of such issue.
- 3.2 If an Employee Stock Option expires or becomes unexercisable due to any other reason, it shall become available for future Grants, subject to compliance with all Applicable Laws. The Compensation Committee will have powers to re-grant such options.
- 3.3 Where Shares are issued consequent upon exercise of an Employee Stock Option under the **PII - ESOP 2010**, the maximum number of Shares that can be issued under **PII - ESOP 2010** as referred to in Clause 3.1 above will stand reduced to the extent of such Shares issued.
- 3.4 In case of a share-split where the face value of the shares is reduced below Rs. 10/-, the maximum number of shares available for being granted under **PII - ESOP 2010** shall stand modified accordingly, so as to ensure that the cumulative face value (No. of

shares X Face value per share) prior to such split remains unchanged after the share split.

4. Administration

4.1 The **PII - ESOP 2010** shall be administered by the Compensation Committee. All questions of interpretation of the **PII - ESOP 2010** or any Employee Stock Option shall be determined by the Compensation Committee and such determination shall be final and binding upon all persons having an interest in the **PII - ESOP 2010** or such Employee Stock Option. The Compensation Committee may administer the ESOP scheme (s) through an designated ESOP Trust.

4.2 The Compensation Committee shall in accordance with this Plan and Applicable Laws determine the following:

- (a) The **quantum** of Employee Stock Options to be granted, including and cancelled / lapsed options, under the **PII - ESOP 2010** per Employee, subject to the ceiling as specified in Para 3.1;
- (b) The **Eligibility Criteria**;
- (c) The **procedure** for making a fair and reasonable adjustment in case of **corporate actions** such as merger, sale of division, stock split / consolidation, rights issues, bonus issues and others;
- (d) The procedure and terms for the Grant, Vest and Exercise of Employee Stock Option in case of Employees who are on **long leave**;
- (e) The procedure for **cashless exercise** of Employee Stock Options, if required;
- (f) Approve **forms**, writings and/or agreements for use in pursuance of the **PII - ESOP 2010**.

5. Eligibility and Applicability

5.1 Only Employees are eligible for being granted Employee Stock Options under **PII - ESOP 2010**. The specific employees to whom the options would be granted and their eligibility criteria would be determined by the Compensation Committee.

- 5.2 The Scheme shall be applicable to the company, its subsidiary companies in India and abroad or its holding Company and any successor company thereof and may be granted to the Employees and Directors of the Company or its subsidiaries or its holding company, as determined by the Compensation Committee on its own discretion.

6. Vesting Schedule / Conditions

Options granted under PII - ESOP 2010 would vest **not less than 1 year and not more than 6 years** from the **date of grant** of such options. Vesting of options would be subject to continued employment with the Company, including subsidiary companies / holding company, if any, and thus the options would vest on passage of time. In addition to this, the Compensation Committee may also specify certain performance parameters subject to which the options would vest. The specific vesting schedule and conditions subject to which vesting would take place would be outlined in the document given to the option grantee at the time of grant of options.

7. Exercise

a) Exercise Price:

Exercise Price per option = Discount up to a maximum of 20% to the Market price,

where the **Market price** shall be the latest available closing market price as on the date of the grant,, on the stock exchange where highest trading volume is registered.

where the **quantum of Discount** shall be decided by the Compensation Committee for each of the Grant of options

Payment of the Exercise Price shall be made by a crossed cheque or a demand draft drawn in favour of the Company / Trust or in such other manner as the Compensation Committee may decide.

b) **Exercise Period:**

While in employment:

The Exercise period would be **6 years from the date of vesting of options**. The shares arising out of exercise of vested options would **not** be subject to any lock-in period after such exercise. The options not exercised within the above period shall lapse and the employee shall have no right over such lapsed or cancelled options.

c) **Exercise period in case of separations -**

Separations	Unvested options	Vested Options
Resignation / Termination <i>(other than due to misconduct or breach of company policies/ terms of employment)</i>	All unvested options on the last working day shall stand cancelled with effect from that date.	To be exercised before the last working day of the employee in the Company.
Retirement / Early Retirement as approved by the Company	All unvested options shall stand cancelled as on the date of such retirement, unless otherwise determined by the Compensation Committee whose decision shall be final and binding.	To be exercised within 6 months from the last working day.
Death	To be exercised by the legal heirs or nominee of the employee within 6 months from the date of death.	To be exercised by the legal heirs or nominee of the employee within 6 months from the date of death.
Termination due to Permanent Incapacity	To be exercised by the employee within 6 months from the date of disability. In case of employee's death, his nominee or legal heirs	To be exercised by the employee within 6 months from the date of disability. In case of employee's death, his

	can exercise the options within 6 months from the date of separation from the company.	nominee or legal heirs can exercise the options within 6 months from the date of separation from the company.
Termination due to misconduct or due to breach of company policies or the terms of employment	All Unvested Options on the last working day shall stand cancelled with effect from that date.	All the Vested Options which were not exercised at the time of such termination shall stand cancelled with effect from the date of such termination
Abandonment***	Cancelled	Cancelled
Any other event not specified above	The Compensation Committee at its sole discretion would decide the treatment of unvested options and such decision shall be final and binding.	The Compensation Committee at its sole discretion would decide the treatment of the vested options and such decision shall be final and binding.

*** The Compensation Committee, at its sole discretion shall decide the date of cancellation of options and such decision shall be binding on all concerned.

8. Other Terms and Conditions

- 8.1 The Employee shall not have a right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of Employee Stock Options granted, till Shares underlying such Employee Stock Options are allotted on Exercise of such Employee Stock Option.
- 8.2 Nothing herein is intended to or shall give the Option Grantee any right or status of any kind as a shareholder of the Company (for example, bonus shares, rights shares, dividend, voting, etc) in respect of any Shares covered by the Grant unless the Option Grantee Exercises the Employee Stock Option and becomes a registered holder of the Shares of the Company.
- 8.3 The Employee Stock Option shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

- 8.4 If the Company issues bonus or rights shares, the Option Grantee will not be eligible for the bonus or rights shares in the capacity of an Option Grantee. However, an adjustment to the number of options or the exercise price or both would be made in accordance with Clause 4.2(c) of PII - ESOP 2010.
- 8.4 Employee Stock Options shall not be transferable to any person except in the event of death of the Option Grantee, in which case clause 7(c) of PII - ESOP 2010 would apply.
- 8.5 No person other than the Employee to whom the Employee Stock Option is granted shall be entitled to Exercise the Employee Stock Option except in the event of the death of the Option Grantee holder, in which case clause 7(c) of PII - ESOP 2010 would apply.
- 8.6 The Option Grantee's Service with the Company shall not be deemed to terminate if the Option Grantee take any sick leave or any other bonafide leave of absence approved by the Company for 90 (ninety) days or less. The sanctioned long leave shall not have any effect on the Plan as applicable to the participant. However, In the event of leave of absence in excess of 90 days, such leave of absence will not be treated as continuous service by an Option Grantee for the purpose of the PII - ESOP 2010.

8.7 Grants to be made to New Hirees / Joinees -

In case the Company (including subsidiary companies / holding company, if any) proposes to grant options to the new hirees / joinees, the number of options to be allocated and related terms & conditions would be decided at the meeting of the Compensation Committee

9. Deduction/Recovery of Tax

The Company shall have the right to deduct from the employee's salary, any of the employee's or employer's tax obligations arising in connection with the Employee Stock Option or the Shares acquired upon the Exercise thereof. The Company shall have no obligation to deliver Shares to the Option Grantee until such tax obligations have been satisfied by the Option Grantee.

10. Nomination

Each participant under the PII ESOP 2010 may nominate from time to time, any Beneficiary or Beneficiaries to whom any benefit under the PII ESOP 2010 is to be

delivered in case of his or her death before he or she receives all such benefit. Each such nomination shall revoke all prior nominations by the same Participant, and shall be in a form prescribed by the Company and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime.

11. Authority to vary terms

Terms of ESOP 2010 can be varied by the Compensation Committee after getting approval for such modification from the shareholders of the Company in a general meeting. The modification should be in the interest of the employees.

The special resolution for the variation should disclose the details of the variation, the rationale therefore and details of the employees who are beneficiary of the same.

12. Miscellaneous

12.1 Government Regulations

This PII - ESOP 2010 shall be subject to all Applicable Laws, and approvals from governmental authorities. The Grant and the allotment of shares under this ESOP 2010 shall also be subject to the Company requiring Employees to comply with all Applicable Laws and be subject to the approval of the Company's Counsel.

12.2 Inability to obtain authority

The inability of the Company to obtain authority from any regulatory body having jurisdiction over the Company, or under any Applicable Laws, for the lawful issuance and sale of any Shares hereunder shall relieve and wholly discharge the Company of any and all liability in respect of the failure to issue or sell such Shares.

12.3 The grant of an Employee Stock Option does not form part of the Option Grantee's entitlement to compensation or benefits pursuant to his contract of employment nor does the existence of a contract of employment between any person and the Company give such person any right or entitlement to have an Employee Stock Option granted to him in respect of any number of shares or any expectation that an Employee Stock Option might be granted to him whether subject to any condition or at all.

12.4 Neither the existence of this Plan nor the fact that an individual has on any occasion been granted an Employee Stock Option shall give such individual any right, entitlement or expectation that he has or will in future have any such right,

entitlement or expectation to participate in this Plan by being granted an Employee Stock Option on any other occasion.

- 12.5 The rights granted to an Option Grantee upon the grant of an Employee Stock Option shall not afford the Option Grantee any rights or additional rights to compensation or damages in consequence of the loss or termination of his office or employment with the company for any reason whatsoever (whether or not such termination is ultimately held to be wrongful or unfair).
- 12.6 The Option Grantee shall not be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being unable to exercise an Employee Stock Option in whole or in part.
- 12.7 All shares allotted on Exercise of Options will rank pari-passu with all other equity shares of the Company for time being in issue.
- 12.8 By accepting a grant, a Grantee expressly acknowledges that the grant of option does not constitute guarantee or continuity of employment and the Company shall reserve the right to terminate the employment of Grantee with the Company in accordance with the terms of employment. Grantee shall be deemed irrevocably to have waived any entitlement, by way of compensation for loss of office or otherwise howsoever, to any sum or other benefit to compensate him for loss of any rights under this Plan.
- 12.9 This Plan shall not form part of any contract of employment between the Company and any Eligible Employee, and the rights and obligations of any Eligible Employee under the terms of his office or employment shall not be affected by his participation in this Plan or any right which he may have to participate in it and this Plan shall afford such an Eligible Employee no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.
- 12.10 The Company shall bear the costs of establishing and administering the Plan, including any costs of the Company's auditor or any independent advisor in relation to the preparation of scheme or any other service in relation to this Plan.
- 12.11 The acceptance of the Grant is entirely voluntarily and the Company or the Committee does not guarantee any return on shares.
- 12.12 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 severed 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.

- 12.13** This Plan shall not confer on any person any legal or equitable rights against the Company or the Committee directly or indirectly or give rise to any cause of action at law or in equity against the Company or the Committee.

12.14 Disclosure and Accounting Policies

The Company shall comply with the disclosure and accounting policies as prescribed by SEBI guidelines from time to time.

12.15 Method of Option valuation:

The Company shall follow the intrinsic value method for valuation of options granted.

- 12.16** The number of options that may be granted to any specific employee under the Scheme shall not exceed 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options.

13. Notices

All notices of communication required to be given by the Company to an Option Grantee by virtue of this **PII - ESOP 2010** shall be in writing and shall be sent to the address of the Option Grantee available in the records of the Company and any communication to be given by an Option Grantee to the Company in respect of **PII - ESOP 2010** shall be sent to the Company Secretary at the Corporate Office of the company.

14. Governing Law and Jurisdiction

- 14.1** The terms and conditions of the **PII - ESOP 2010** shall be governed by and construed in accordance with the laws of India.
- 14.2** The Courts of Rajasthan, India (where the Registered Office of the company is situated) shall have jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of this **PII - ESOP 2010**.

14.3 Nothing in this Clause will however limit the right of the Company to bring proceedings against any Employee in connection with this **PII - ESOP 2010**:

- (i) in any other court of competent jurisdiction; or
- (ii) concurrently in more than one jurisdiction.

15. Income Tax Rules

The Income Tax Laws and Rules, by whatever name called, in force will be applicable.

For P I Industries Limited



Chairman & Managing Director

Dated: 21st January, 2011