Caplin Point Laboratories Limited Employees Stock Option Plan, 2021

For CAPLIN POINT LABORATORIES LTD.

Company Secretary

PART A: STATEMENT OF RISKS

An investment in Equity Shares / Options are subject to risk as the value of Equity Shares may go down or go up. You should carefully consider all the information in this Scheme, including the risks and uncertainties described below, before making an investment in the Equity Shares.

If profitability and financial condition of the Company gets affected, the price of our Equity Shares / Options could decline and you may lose all or part of your investment in the Equity Shares / Options. Unless specified or quantified in the Scheme, we are not in a position to quantify the financial or other implication of any of the risks.

In addition, Options are subject to the following additional risks:

1. **Concentration:** The risk arising out of any fall in value of Shares is aggravated if the Employee's holding is concentrated in the Shares of a single Company.

2. **Leverage:** Any change in the value of the Share can lead to a significantly larger change in the value of the Options.

3. **Illiquidity:** The Options cannot be transferred to anybody and therefore the Employees cannot mitigate their risks by selling the whole or part of their benefits before they are exercised.

4. **Vesting:** The Options will lapse if the employment is terminated prior to vesting. Even after the Options are vested, the unexercised Options may be forfeited if the Employee is terminated for gross misconduct.

PART B: INFORMATION ABOUT THE COMPANY

1. **Business Profile of the Company:**

Caplin Point Laboratories Limited was incorporated on April 16, 1990. It's CIN is L24231TN1990PLC019053 and is presently having its registered office at Ashvich Towers, 3rd Floor, No.3, Developed Plots, Industrial Estates, Perungudi, Chennai, Tamil Nadu – 600096, India.

Present Business Activities of the Company are as follows:

Caplin Point Laboratories Limited is a fast-growing pharmaceutical Company with a unique business model catering predominantly to emerging markets of Latin America and Africa. Caplin Point has state of the art manufacturing facilities that cater to a complete range of finished dosage forms.

Main Objects of the Company *inter-alia* includes:

To carry on the business as dealers, manufacturers, contractors and loan license manufacturers, agents, distributors of Drugs, Bulk Drugs and Pharmaceuticals of every description and application with indigenous and/or imported technology, pharmaceutical formulations like liquids, injectable, ophthalmic formulations capsules, tablets, powders, mixtures, antibiotics enzymes and fluids of every description, all intermediates and by products of any of the above, surgical and health aids of varied nature like syringes, gloves, surgical & sanitary towels, napkins, Pharma based cosmetics.

2. **Abridged Financial Information:**

Abridged financial information for last 5 years for which audited financial information is available along with last audited accounts is available at the website of the Company at a given below link http://www.caplinpoint.net/investor.aspx

3. **Risk Factors for the Company:**

The Management of the Company has a perception that the following risks or uncertainties may occur during the course of business such as:

a. **Sensitivity to Foreign Exchange Fluctuation:**

In this globalized world, the Company engages in financial transactions outside the Country and accordingly the Receipts will be based in the form of a currency which is not in Indian Denomination. Any appreciation/depreciation of the Indian currency or the depreciation/appreciation of the denominated currency will affect the cash flows emanating from that transaction.

b. Difficulty in availability of raw materials or Marketing of Product:

The Company's operations are increasingly dependent for the proper functioning of their business in terms of raw material and product supply, new products and sales and marketing programme development, technology, funding and support services. Any underperformance or failure to control properly the Company's operations could therefore impact the Company's business and materially adversely impact the performance or financial condition of the Company.

c. Cost/ Time Overrun:

Controlling time and cost overrun of the operations is very crucial in achieving successful completion of any projects. In case there is extension in estimated time and cost beyond the projected limit can decrease the profits of the Company.

d. Industry Specific Risks:

Change in government regulations or their implementation and uncertain input costs mainly power and fuel could disrupt the operations and adversely affect the business and results of the company, due to which the company may incur increased cost and penalties.

e. Dynamic scenario:

Change in technology may render our current technology obsolete and require OBL to make substantial investment which could affect the company's finance and operations.

f. Political instability or changes in the Government in India or in the Government of the states where we operate could cause us significant adverse effects:

We are incorporated in India and most of our operations, assets and personnel are located in India. Our performance and the market price and liquidity of the Equity Shares may be affected by changes in exchange rates and controls, interest rates, Government policies, taxation, social and ethnic instability and other political and economic developments affecting India.

The Government has traditionally exercised, and continues to exercise, a significant influence over many aspects of the economy. Our business is also impacted by regulation and conditions in the various states in India where we operate. During past, successive Governments have pursued policies of economic liberalisation and financial sector reforms. However, there can be no assurance that such policies will be continued. Any political instability could affect the rate of economic liberalisation, specific laws and policies affecting foreign investment, the construction industry or investment in our Equity Shares. A significant change in the Government's policies, in particular, those relating to our field, could adversely affect our business, results of operations, financial condition and prospects and could cause the price of our Equity Shares to decline.

g. **Risk arising from changes in interest rates and banking policies:**

Increased interest rates will have a bearing on profitability and credit controls will have an effect on our liquidity and will have serious effects on adequate working capital requirements. We are dependent on various banks for arranging of our working capital requirement etc. Accordingly, any change in the existing banking policies or increase in interest rates may have an adverse impact on profitability of our company.

The above risks and uncertainties include but are not limited to risks and uncertainties regarding dependencies on few customers and suppliers, changes in the regulatory framework, adverse development in the any of the customer industries to whom substantial part of the product is given, downgrading of our credit worthiness, political instability, legal restrictions and general economic conditions affecting our industry.

4. Continuing Disclosure Requirement:

The Grantee would be entitled to receive copies of all documents that are sent to the members of the Company. This shall include the annual accounts of the Company as well as notices of the meetings and the accompanying explanatory statements.

PART C: Caplin Point Laboratories Limited Employees Stock Option Plan, 2021

1. **Introduction:**

1.1 This Plan shall be called the Caplin Point Laboratories Limited Employees Stock Option Plan, 2021 ("**Caplin Point ESOP 2021" or "Plan").**

1.2 The Plan was approved by the Shareholders of the Company on 28th September 2021.

1.3 The Plan shall be effective from 28th September 2021, being the date of Shareholders approval.

2. **Term of the Plan:**

2.1 The Plan shall continue in effect unless terminated by the Board of Directors.

2.2 Any such termination of the Plan shall not affect Options already granted and such Options shall remain in full force and effect as if the Plan had not been terminated unless mutually agreed otherwise between the Grantee / Nominee / Legal Heirs and the Company.

3. **Object:**

3.1 Human resources are key to the growth of any successful organization and it is necessary for an organization to adopt effective measure to attract, retain and reward talent. To achieve this purpose, it is proposed to roll out an Employee Stock Option scheme to eligible employees of the Company. The main objective will be to attract, retain and reward employees by providing opportunity to participate in the growth of the Company through owning equity shares.

3.2 This Scheme has been adopted by resolution of the Board of Directors of the Company, with the object of granting, at the discretion of the Company, to such of the Company's Employees as are eligible and qualify under the Scheme, Options to acquire equity Shares directly from the Company and to be allotted Equity Shares of the Company on Exercise of such Options

4. **Definitions:**

The following terms as used herein shall have the meaning specified:

4.1 **"Abandonment"** means absence of an Employee from work without a reasonable excuse for an unreasonable period of time of 30 working days or more, without having communicated to the Employer any reason of absence.

4.2 **"Applicable Law"** means every law relating to Employee Stock Option Schemes in force, including, without limitation to, Companies Act, 2013, SEBI (Share Based Employee Benefit and Sweat Equity) Regulations, 2021 as amended, and all relevant revenue, tax, securities or exchange control regulations or corporate laws of India to the extent applicable.

4.3 **"Associate Company"** shall have the same meaning as defined in section 2(6) of the Companies Act, 2013, as amended from time to time.

4.4 "**Allotment**" refers to the issue of Shares by the Company to the Eligible Employees pursuant to Exercise of Options granted to them.

4.5 "**Board of Directors**" or "**Board**" means the Board of Directors for the time being of the Company or any committee thereof.

4.6 **"Body Corporate"** shall have the same meaning as defined in section 2(11) of the Companies Act, 2013, as amended from time to time.

4.7 **"Cash Mechanism"** means a route under which the Grantee will receive the Shares equivalent to the number of the Options exercised after the Grantee has made the payment of the Exercise Price, applicable tax and other charges, if any, in accordance with the terms and conditions of the Scheme and as mentioned in grant letter.

4.8 "**Company**" or "**Caplin Point**" means Caplin Point Laboratories Limited.

4.9 "**Corporate Action**" means a change in the capital structure of the Company as a result of Bonus Issue, Rights Issue, Split of Shares and Consolidation of Shares.

4.10 **"Director"** shall have the same meaning as defined under section 2(34) of the Companies Act, 2013.

4.11 **"Disability"** means any disability of whatsoever nature, be it physical, mental or otherwise, which incapacitates or prevents or handicaps a Grantee from performing any specific job, work or task which the said Grantee was capable of performing immediately before such disablement, as determined by the Committee Directors based on a certificate of a medical expert identified by the Company.

4.12 **"Eligible Employee"** means

(i) an employee as designated by the company, who is exclusively working in India or outside India; or

(ii) a director of the company, whether a whole time director or not, including a non-executive director who is not a promoter or member of the promoter group, but excluding an independent director; or

(iii) an employee as defined in sub-clauses (i) or (ii), of a group company including subsidiary or its associate company, in India or outside India, of the company,

but does not include

a) an employee who is a promoter or a person belonging to the promoter group; or

b) a director who either himself or through his relative or through any body corporate directly or indirectly, holds more than ten percent of the outstanding Equity Shares of the company:

4.13 **"Eligibility Criteria"** means the criteria, as may be determined from time to time by the Nomination and Remuneration Committee for grant / vesting of Options.

4.14 "**Exercise**" means making an application in such manner and on such format as may be prescribed by the Nomination and Remuneration Committee, from time to time by a Grantee to the Company for issue of Shares against vested options in pursuance of the Plan.

4.15 "**Exercise Date**" means the date on which a Grantee exercises his/her option to acquire the Equity Shares of the company.

4.16 "**Exercise Period**" means the time period after vesting within which a Grantee can exercise his/her right to apply for Equity Shares against the vested option in pursuance of the Plan.

4.17 "**Exercise Price**" means the price payable by the Grantee for exercising the Option granted under the Plan as may be decided by the NRC from time to time. However, the Exercise Price shall not be less than the par value of the Equity Shares of the Company.

4.18 **"Equity Share"** means an equity share in the Company of the face value of Rs. 2/- (Rupees Two Only) each or where the equity share of the Company has been split up into a par value of less than Rs. 2/- (Rupees Two Only), then the equivalent number of equity shares for the revised par value per equity share.

4.19 "**Grant**" means the process by which Company issues options under the Plan.

4.20 "**Grant Date**" means the date on which the NRC approves the grant.

Explanation: For accounting purposes, the grant date will be determined in accordance with applicable accounting standards.

4.21 **"Group"** means two or more companies which, directly or indirectly, are in a position to—

(i) exercise twenty-six per cent. or more of the voting rights in the other company; or

(ii) appoint more than fifty per cent. of the members of the Board of Directors in the other company; or

(iii) control the management or affairs of the other company;

4.22 **"Grantee"** shall mean Employee to whom Options have been granted under the Plan.

4.23 **"Independent Director"** shall have the same meaning assigned to it under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

4.24 **"Long Leave"** means an approved leave taken by the Grantee for a period of more than three months out of twelve months starting from the date of grant / vesting, as the case may be.

Provided that the period of long leave shall not include the period in which the Grantee is on a sabbatical. In all other events including approved earned leave and sick leave, the period of leave shall be included to calculate the Long Leave unless otherwise determined by the NRC.

4.25 "**Option**" means an option given to an employee which gives him/her the right to purchase or subscribe at a future date, the shares offered by the company, at a pre-determined price;

4.26 **"Market Price"** means the latest available closing price on a recognized stock exchange on which the shares of the company are listed on the date immediately prior to the Relevant Date. If such shares are listed on more than one recognized stock exchange, then the closing price on the recognized stock exchange having higher trading volume shall be considered as the market price.

4.27 "**Nomination and Remuneration Committee" or 'NRC' or 'ESOP Committee'** means the of Nomination and Remuneration Committee as constituted by the Board of Directors of the Company in compliance with the provisions of the Act and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations,2015.

4.28 **"Option"** means the option given to an Employee which gives such an Employee a right to purchase or subscribe at a future date, the Equity Shares offered by the Company, directly or indirectly, at a pre-determined price.

4.29 "**Optionee" / "Grantee**" means an Eligible Employee who has been granted an Option under this Scheme and where the context requires shall include the guardian of an incapacitated Eligible Employee and the nominee or legal heir of a deceased Eligible Employee.

4.30 **"Permanent Incapacity"** means any disability of whatsoever nature be it physical, mental or otherwise, which incapacitates or prevents or handicaps an Eligible Employee from performing any specific job, work or task which the said Eligible Employee was capable of performing immediately before such disablement, as determined by the ESOP Committee based on a certificate of a medical expert identified by such ESOP Committee.

4.31 **"Promoter"** shall have the same meaning assigned to it under the SEBI (Issue and Capital and Disclosure) Requirements 2018.

4.32 **Promoter group`** shall have the same meaning assigned to it under the SEBI (Issue and Capital and Disclosure) Requirements 2018.

4.33 **"Recognised Stock Exchange"** means a stock exchange which has been granted recognition under section 4 of the Securities Contracts (Regulation) Act, 1956.

4.34 "**Relevant date**" means

a) in the case of grant, the date of meeting of the Nomination and Remuneration committee on which the grant is made or

b) in the case of exercise, the date on which the notice of exercise is given to the Company by the Employee.

4.35 "**SEBI**" means the Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992.

4.36 "**SEBI Regulations**" means the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 issued by SEBI, as amended from time to time.

4.37 **"Securities"** means securities as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956.

4.38 "**Subsidiary**" means a subsidiary of the Company as defined in the Companies Act, 2013.

4.39 "**Successor**" of an Grantee means a legal representative of the estate of a deceased Grantee or the person or persons who shall acquire the right to Exercise an Option by operation of law or due to death of the Grantee.

4.40 "**Unvested Option**" means an Option in respect of which the relevant Vesting Period has not yet completed and as such, the Grantee has not become eligible to Exercise the Option.

4.41 "**Vesting**" means the process by which the employee becomes entitled to receive the benefit of a grant made to him/her under any of the schemes;

4.42 **"Vesting Period"** means the period during which the vesting of option granted under the Scheme take place.

4.43 "**Vesting Date**" means the earliest date on which an Grantee may exercise the rights under the Options.

4.44 "**Vested Option**" means an Option in respect of which the relevant Vesting Period has been completed and the Grantee has become eligible to Exercise the Option.

4.45 **"Whole Time Director"** shall have the same meaning as defined in section 2(94) of the Companies Act. 2013, as amended from time to time.

Words and expressions used and not defined in this Scheme but defined in the Securities and Exchange Board of India Act, 1992 (15 of 1992), SEBI Regulation, the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or the Companies Act, 2013 (18 of 2013) and any statutory modification or re- enactment thereto, shall have the meanings respectively assigned to them in those legislation.

5. **Pool of the Plan:**

5.1 The maximum number of Options that may be granted pursuant to this Plan shall not exceed 5,00,000 (Five Lakhs) Options which shall be convertible into equal number of Equity Shares.

5.2 The maximum number of Options that may be granted to one eligible Employee shall not be more than 25,000 options.

5.3 If any Option granted under the Plan lapses or is forfeited or surrendered under any provision of the Scheme, such Option shall be available for further grant under the Plan unless otherwise determined by the ESOP Committee.

5.4 Further, the maximum number of Options that can be granted and the Shares arise upon exercise of these Options shall stand adjusted in case of corporate action.

5.5 The Company reserves the right to increase or decrease such number of Options and Equity Shares as it deems fit, in accordance with the applicable laws.

5.6 Further, the Company shall take approval of Shareholders by way of separate resolution in the general meeting in case of:

- Grant of Option to Employees of Subsidiary and
- Grant of Option to identified Employees, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of option, as the case, may be.

6. **Implementation and Administration:**

6.1 The Plan shall be implemented through direct route for extending the benefits to the eligible Employees by the way of fresh allotment and will follow cash mechanism.

6.2 The Company will allot fresh Equity Shares to the Grantees upon successful exercise of Options in accordance with terms and conditions of the Plan.

Provided that if prevailing circumstances so warrant, the Company may change the mode of implementation of the Plan subject to the condition that a fresh approval of the Shareholders by a special resolution is obtained prior to implementing such a change and that such a change is not prejudicial to the interests of the employees.

6.3 The Plan shall be administered by the ESOP Committee formed by the Company under the broad policy and framework laid down by the Board of Directors in accordance with the authority delegated to the ESOP Committee in this regard from time to time. The ESOP Committee is designated as the 'Compensation Committee' for administration and superintendence of the Plan.

6.4 All decisions, determinations and interpretations of the ESOP Committee shall be final and binding on all Grantees.

6.5 The ESOP Committee shall subject to applicable laws, inter alia, have powers to do following:

(i) to frame various Plan Series under the Plan from time to time;

(ii) to determine the Employees to whom options are to be granted, number of Options to be granted per Employee and in aggregate, the Exercise Price, the Vesting Date, the Vesting schedule and the proportion of Options that shall vest on each of the Vesting Dates and other terms and conditions in respect of each Plan Series;

(iii) to determine the Vesting conditions, that are required to be fulfilled by the Employees;

(iv) lay down the terms and conditions based on which the Options vested in Grantees may lapse, continue, or be retained by Grantees, in case of termination of employment (other than resignation) of such Grantees and the ESOP Committee in framing such terms shall be guided by the provisions of this Plan and applicable law;

(v) lay down the terms and conditions based on which Options vested in Grantees may lapse, in case of voluntary surrender of Options by Grantees and the ESOP Committee in framing such terms shall be guided by the provisions of this PLan and applicable law;

(vi) lay down the terms and conditions based on which vested Options may be permitted to be exercised in case of resignation by such Grantees and the ESOP Committee in framing such terms shall be guided by the provisions of this Plan and applicable law;

(vii) to determine the Exercise Period within which the Grantee should Exercise the Options and terms on which the Options would lapse on failure to Exercise the same within the Exercise Period;

(viii) to determine the Vesting Period within which the Vesting conditions should be fulfilled so that the Options vest with the Grantees;

(ix) to specify the time period within which the Grantees shall Exercise the vested Options, in the event of resignation by Grantees;

(x) lay down, in compliance with applicable law, including the SEBI Regulations and the applicable accounting policies, the procedure, mechanism and formula/construct for making fair and reasonable adjustments to the number of Options and/or to the Exercise Price in case of any Corporate Action or pursuant to any Change in Capital, such that it is not prejudicial to the interest of the Grantees;

(xi) to provide for the right of an Grantees to exercise all the Options Vested in him at one time or at various points of time within the Exercise Period;

(xii) to lay down the method for satisfaction of any tax obligation arising in connection with the Options or the Shares;

(xiii) to provide for the Award, Vesting and Exercise of Options in case of Grantees who are on long leave;

(xiv) to formulate terms and mechanism for repricing of the Options, whether by way of change in the number of Options or the Exercise Price or both, such that the terms are not prejudicial to the interest of the Grantees;

(xv) to lay down the procedure for transfer of benefits granted to the Grantees under the Plan in the case of transfer/deputation of the Grantees to any Subsidiary, as applicable;

(xvi) to formulate other detailed terms and conditions of the Plan including terms in relation to the matters enumerated hereinbefore;

(xvii) administration and superintendence of the Plan.

(xviii) to frame suitable policies and procedures to ensure that there is no violation of securities laws including the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003, as amended from time to time, by the Company and its Employees, as may be applicable.

(xix) the procedure for buy-back of specified securities issued under SEBI Regulations, if to be undertaken at any time by the company, and the applicable terms and conditions, including:

(i) permissible sources of financing for buy-back;

(ii) any minimum financial thresholds to be maintained by the company as per its last financial statements; and

(iii) limits upon quantum of specified securities that the company may buy-back in a financialyear.

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

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

7. Grant of Options:

7.1 The ESOP Committee may from time to time Grant Options to one or more eligible Employee(s), which may include recurring Options to the same Employee in accordance with the terms and conditions of the Plan for the time being in force and subject to Employee's employment terms or his continuity in the employment, and other parameters as set out by the ESOP Committee, if any.

7.2 The grant of Options shall be communicated to the eligible Employees in writing through grant letter specifying the vesting date, number of Options granted, exercise price, vesting schedule, and the other terms and conditions thereof.

7.3 No amount shall be payable by an Employee at the time of grant of Options.

7.4 The Options granted to the eligible Employees shall not be transferable to any other person.

7.5 The Options granted to the eligible Employees shall not be pledged, hypothecated, mortgaged or otherwise encumbered or alienated in any other manner.

7.6 Unless agreed to otherwise between the Company and any Employee, the Grant of an Option to an eligible Employee under this Plan shall entitle the holder of the Options to apply for one Share in the Company upon payment of Exercise Price set out in this Plan. Subsequent Options may be granted at such price as may be determined by the ESOP Committee.

7.7 Unless otherwise specified in the Option Letter and / or in the Employee Stock Option Agreement, all Grants shall be deemed to have been made effective from the date of the Option Letter. Any Grant agreed to be made to a prospective Employee upon the condition that such person becomes an Employee shall be deemed to have been Granted and shall become effective on the earliest of the dates specified hereinbefore in this paragraph after the date on which such person commences employment with the Company.

7.8 The Option Letter shall specify the date of grant, number of Options granted, the Vesting of the Option, the earliest date on which some or all of the Options under the Grant shall be eligible for Vesting, fulfillment of the performance and other conditions, if any, subject to which Vesting shall take, and the other terms and conditions thereof.

7.9 The Options granted to the Employees under this Plan shall carry an Exercise Price, which shall be at a discount to the Market Price, if and as may be determined by the ESOP Committee. However, the Exercise Price shall not be less than the par value of the Equity Shares of the Company.

8. Appraisals and Eligibility of an Eligible Employee:

8.1 The ESOP Committee may on the basis of all or any of the following criteria, decide on the Employees who are eligible for the grant of Options under the Plan and the terms and conditions thereof.

i Work related or academic performance of the employee
ii Length of service / Position Held
iii Potential of the employee to contribute to the Company's / Subsidiary's performance
iv The extent of contribution made by the employee towards business results, achievement of medium to long term performance plans and processes, and customer satisfaction or Employee satisfaction.

v High market value /difficulty in replacement.
vi High risk of losing the employee to competition.

The Employees satisfying the eligibility criteria shall be termed as eligible Employee.

8.2 Neither the Plan nor any other Option shall confer upon any Grantee any right with respect to continuing the Grantee's relationship as Employee with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate such relationship at any time, for any reason whatsoever.

9. Vesting of Options:

9.1 The Options granted shall vest so long as an employee continues to be in the employment of the Company or the Subsidiary Company as the case may be. The options granted under the Scheme shall vest in 3 equal tranches commencing from completion of 5th year from the date of grant of options, unless otherwise specified by the ESOP Committee. In any event, the vesting period shall not be less than 1 year and not more than 8 years from the date of grant of options. Vesting may happen in one or more tranches. The Vesting schedule as decided will be stipulated in the Option letter to be issued to Individual Grantees.

Provided further that in the event of death or permanent incapacity of an employee, the minimum vesting period of one year shall not be applicable and in such instances, the options shall vest in terms of sub-regulation (4) of regulation 9 of SEBI Regulations, on the date of the death or permanent incapacity.

9.2 Notwithstanding anything to the contrary in this Plan, the ESOP Committee shall be entitled to make the Vesting of any or all of the Options granted to an Eligible Employee conditional upon the fulfillment of such performance criteria whether of the Eligible Employee and/ or any team or group of which he is a part and/ or of the Company, as may be determined by the ESOP Committee or determine a Vesting schedule.

9.3 Vesting of Options can vary from Grantee to Grantee.

9.4 Further any fraction entitlement, to which the Grantee would become entitled to upon vesting of Options, then the Options to be actually vested be rounded off to nearest lower integer.

9.5 Further any fraction entitlement, to which the Grantee would become entitled to upon vesting of Options, then the Options to be actually vested be rounded off to nearest lower integer.

10. Exercise of Options:

10.1 All Vested Options shall be respectively exercised in one or more tranches within a period of 7 years from the respective dates of Vesting, failing which the Options shall lapse.

Provided however, that in case of cessation of employment, the Vested Options shall lapse/ be exercised in accordance with the provisions of Clause 11 of this Plan.

10.2 The Grantee may Exercise the Options by submitting a written application to the Company expressing his/her desire to exercise such Options in such manner and on such format as may be prescribed by the ESOP Committee from time to time accompanied by payment of an amount equivalent to the Exercise Price in respect of such Shares and such other writing, if any, as the ESOP Committee may specify to confirm extinguishment of the rights comprising in the Options then exercised.

10.3 Upon valid exercise, the Company will allot requisite number of Equity Shares to the Grantee. Equity Shares so allotted shall rank pari-passu to the existing Equity Shares of the Company.

10.4 The Scheme does not contemplate cashless exercise of options.

10.5 Except as otherwise provided, payment of the Exercise Price for the Shares to be acquired pursuant to any Options shall be made either by:

(i) Cheque payable at the registered office of the Company;
(ii) The Grantee's authority to the Company to deduct such amount from his salary due and payable;
(iii) Such other consideration as may be approved by the ESOP Committee from time to time to the extent permitted by applicable law; or
(iv) Any combination of any two or more of the above mentioned methods.

The application shall be in such form as may be prescribed in this regard and the ESOP Committee may determine the procedure for the Exercise from time to time.

10.6 The Grantee may appoint any person(s) as nominee(s) for the purpose of exercising the rights on his death, subject to the terms and conditions of the Plan. The Grantee shall appoint such nominee(s) by submitting a letter in the form specified by the ESOP Committee in this regard. The Grantee has the right to revoke/change such nomination. The nominee(s) shall alone be entitled to Exercise the rights of the Grantee concerned in the event of the death of the Grantee. If the Grantee fails to make a nomination, the Equity Shares shall vest on his / her legal heirs in the event of his / her death.

10.7 Notwithstanding anything contained elsewhere in the Plan, the ESOP Committee and / or the Board of Directors may:

(i) Not permit the Exercise of any Options (whether Vested or not) granted to an Eligible Employee, in the event of the Eligible Employee being found to be involved in fraud, misfeasance, gross negligence, breach of trust, etc. and in such an event the rights under the Options (whether Vested or not) shall lapse, forthwith, without any claim on or recourse to the Company.

(ii) If the Exercise of Options within the Exercise Period, is prevented by any law or regulation in force, defer or not to permit the Exercise of Options till such time as it is prohibited by the applicable laws or regulations and in such an event the Company shall not be liable to pay any compensation or similar payment to the Grantee for any loss suffered due to such refusal.

10.8 Provided further that the Board of Directors and / or the ESOP Committee shall have the power to cancel all or any of the Options granted under the Plan if so required under any law for the time being in force or the order of any Jurisdictional Court. In the event of any such cancellation, no compensation shall be payable to the Grantee for such cancelled Options.

10.9 In the event of long-term leave, i.e., for a period exceeding three months, the employee will have the option to exercise the options through a duly constituted attorney of the Employee.

11. Cessation of Employment:

Subject to the employment terms of a Grantee, the following terms shall be applicable:

11.1 In the event of cessation of employment due to death

a) All Options granted as on date of death would vest in the Legal Heirs / Nominee of the Grantee on that day. The Options would be exercisable by the Legal Heirs / Nominee within a period of 3 (Three) months from the date of death or before the expiry of the Exercise Period, whichever is later, failing which all the unexercised Options shall lapse irrevocably and the rights there under shall be extinguished.

b) All other terms and conditions of the Scheme shall apply to such Options. Provided that, in order to exercise the Options of the deceased Grantee, the Legal Heirs / Nominee have to submit the following documents to the ESOP Committee and the Committee may at its discretion waive off the requirement to submit any of the documents:

A. In case nominee is not appointed
- Copy of the succession certificate / probate of will / letter of administration.
- No objection certificate from the other legal heirs.
- Photo copy of the death certificate duly attested by the proper authority (English translated version if in the vernacular language)
- Specimen signature of the person(s) in whose name Shares are to be transmitted (duly attested by the bank)
- Copy of PAN card of the applicant (self – attested).
- Copy of address proof (self – attested)

B. In case nominee is appointed
- Photo copy of the death certificate duly attested by the proper authority (English translated version if in the vernacular language)
- Specimen signature of the person(s) in whose name Shares are to be transmitted (duly attested by the bank)
- Copy of PAN card of the applicant (self – attested).
- Copy of address proof (self – attested)

11.2 In the event of cessation of employment due to permanent incapacity

All Options granted to Grantee as on date of permanent incapacity would vest in him/her on that day. The Options would be exercisable within a period of 3 (Three) months from the date of permanent incapacity or before the expiry of the Exercise Period, whichever is later, failing which all the unexercised Options shall lapse irrevocably and the rights there under shall be extinguished.

11.3 In the event of cessation of employment due to resignation or termination (not due to misconduct, moral turpitude or ethical/ compliance violations)

a) All unvested Options, on the date of cessation, shall expire and stand terminated with effect from that date unless otherwise determined by the ESOP Committee whose decision will be final and binding.

b) All vested Options as on that date shall be exercisable by the Grantee by last day of employment in the Company or before expiry of exercise period, whichever is earlier. The vested Options not so exercised shall lapse irrevocably and the rights thereunder shall be extinguished.

11.4 In the event of cessation of employment due to retirement/superannuation

All the Options granted (Whether vested or not) will now continue to vest in accordance with their respective vesting schedules even after retirement or superannuation in accordance with company policies and applicable law.

11.5 In the event of cessation of employment due to termination (due to misconduct, moral turpitude or ethical/ compliance violations)

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

11.6 In the event that a Grantee is transferred or deputed to an Associate Company prior to vesting or exercise of Options, the vesting and exercise of Options, as per the terms of grant, shall continue in case of such transferred or deputed Grantee even after the transfer or deputation.

11.7 In the event of abandonment of service by an Option Holder, all Options (Vested Options or Unvested Options) at the time of abandonment of service, shall stand terminated forthwith. The date of abandonment of service by the Option Holder shall be decided by the ESOP Committee at its sole discretion which decision shall be binding on such Option Holder.

11.8 In the event of a Grantee going on Long Leave, the treatment of Options granted to him/her, whether vested or not, shall be determined by the ESOP Committee, whose decision shall be final & binding.

Provided that, the Grantee's service with the Company shall not be deemed to terminate if the Grantee takes any sick leave or any other bona fide leave of absence approved by the Company for 3 (three) months or less. In the event of the leave of absence in excess of 3 (three) months, such leave of absence will not be treated as continuous service, unless decided otherwise by the ESOP Committee.

11.9 In the event where a Dispute arises between Grantee and the Company, vesting and/or exercise of Options will be put on hold till the date of settlement, to the satisfaction of the ESOP Committee.

11.10 In the event that an employee who has been granted benefits under a scheme, is transferred pursuant to scheme of arrangement, amalgamation, merger or demerger or continued in the existing company, prior to the vesting or exercise, the treatment of options in such case shall be specified in such scheme of arrangement, amalgamation, merger or demerger provided that such treatment shall not be prejudicial to the interest of the employee.

11.11 The ESOP Committee may modify the terms for cessation of employment as mentioned in foregoing paras 12.1 to 12.10.

11.12 Expiry of 30 (thirty) days from the date of tendering resignation or the generally prescribed Exercise Period for such Options, whichever is earlier, failing which all the Options that yet to be Exercised shall lapse irrevocably and the rights there under shall be extinguished. All Unvested Options, on the date of submission of resignation shall expire and stand, terminated with effect from that date.

11.13 In the event of separation from employment for reasons of normal retirement or a retirement specifically approved by the Company,

(i) all Vested Options should be Exercised by the Optionee immediately after, but in no event later than six months from the date of such Optionees retirement, and

(ii) all Unvested Options granted to such employee will now continue to vest in accordance with their respective vesting schedules even after retirement or superannuation in accordance with company policies and applicable law.

11.14 In the event of cessation of employment by death or Permanent Incapacitation of an Optionee whilst in employment, all Options granted to such Optionee till the date of death or Permanent Incapacitation, shall vests in him / legal heir, as applicable, on that day. In case of the death or Permanent Incapacitation of any Optionee, all Options which are Vested Options on the date of death or permanent incapacitation shall be Exercised by the nominee /beneficiary, or the legal heir or such Optionee or his legal guardian as the case may be, before the expiry of one year from the date of the death or Permanent Incapacitation of such Optionee or the generally prescribed Exercise Period for such Options, whichever is earlier, failing which all the unexercised Options shall lapse irrevocably and the rights there under shall be extinguished. However, the Unvested Options can be Exercised only after one year from the date of Grant.

12. Terms and Conditions of Equity Shares:

12.1 The Equity Shares so allotted pursuant to exercise of Options will not be subject to a lock-in period and can be freely sold by the thereafter.

12.2 Neither a Grantee, nor his successor in interest, shall have any of the rights of a shareholder of the Company with respect to the Equity Shares for which the Option is Exercised until such Equity Shares are allotted by the Company.

12.3 The maximum quantum of benefits that will be provided to every eligible Employee under the Plan will be the difference between the market value of Company's Share on the Recognized Stock Exchanges as on the date of Exercise of Options and the exercise price paid by the Employee.

13. Corporate Action:

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

13.2 If there is a 'corporate action' of the Company before the Options granted under this Plan are exercised, the Grantee shall be entitled on exercise of the Options, to such number of resultant Shares to which he/she would have been entitled as if all of the then outstanding Options exercised by him/her, 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 corporate action, the ESOP Committee, subject to the provisions of applicable laws, shall make fair and reasonable adjustments under the Plan, as it deems fit, with respect to the number of Options, exercise price and make any other necessary amendments to the Plan for this purpose. The vesting period and life of the Options shall be left unaltered as far as possible.

13.3 In the event of severance of employment of a Grantee, as a part of reconstitution / amalgamation / sell–off or otherwise, the Options granted and not exercised before such reconstitution / amalgamation / sell-off, shall be exercised as per the terms and conditions determined in the relevant Plan of such reconstitution / amalgamation / sell–off.

13.4 In the event of a dissolution or liquidation of the Company, any vested Options outstanding under the Plan shall be cancelled if not exercised prior to such event and no compensation shall be payable in respect of the Options so cancelled.

14. Disclosure and Accounting Policies:

14.1 The Company shall comply with the requirements of IND – AS 102 and shall use Fair value method and the fair value of Options would be calculated as per the prescribed method under the applicable regulations.

14.2 Compensation cost will be booked in the books of account of the Company over the vesting period.

15. Amendment or Termination of the Plan:

15.1 The ESOP Committee / Board of Directors in its absolute discretion may from time to time amend, alter or terminate the Plan or any Grant or the terms and conditions thereof, provided that no amendment, alteration or termination in any Grant previously made may be carried out, which would impair or prejudice the rights of the Grantee without the consent of the Grantees.

15.2 Without prejudice to the above, the ESOP Committee / Board of Directors, may, without any reference to or consent of the Eligible Employee concerned, amend the Plan or Grant to comply with any law, regulation or guideline, which is or may hereinafter, become applicable to this Plan.

16. Others:

16.1 No Right to any Option:

Neither the adoption of the Plan nor any action of the Board of Directors or ESOP Committee shall be deemed to give an Employee any right to be granted any Option or to acquire Shares or to any other rights, nor shall it create any right in any employee to claim any New Stock Option as a matter of right.

16.2 No Employment Rights Conferred:

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

(i) give or confer upon such Eligible Employee any right for continuation of any employment with his Employer; or

(ii) Interfere in any way with the right of the Employer to terminate the employment of such Eligible Employee at any time and for any reason whatsoever.

17. Surrender of Options:

17.1 Any Grantee to whom the Options are granted under this Scheme, may at any time, surrender his Options to the Company. In such case the Company would not be liable to pay any compensation to the Grantee on account of his surrender of Options. The Options so surrendered will be added back to the pool of the Scheme and pursuant to this the Grantee shall cease to have all rights and obligations over such Options.

18. Taxation Aspects:

18.1 The exercisable options are subject to the applicable provisions of the Income Tax Act, 1961.

There would be a double point of Taxation on the Employee.

- Point 1: At the time of exercise of the Options the difference between the market price of the shares as on date of exercise of the Options and the Exercise Price will be added as a perquisite under salary in the month of exercise. The employee will be liable to pay the taxes at the individual slab rate in which he falls.

  Eg: Exercise Price= Rs. 25 per option / Market Price of share on exercise = Rs. 100 per shares / Perquisite = Rs.100 – Rs.25 = Rs.75/- per share.
  Suppose employee falls in 30% slab, his perquisite tax will be Rs.23/-

- Point 2: At the time of sale of the shares of the company by the employee, through stock exchange. Employee has to pay STCG/LTCG at the time of sale as the case may be.

19. No restriction of Corporate Actions:

19.1 The existence of the Plan and the Grants made hereunder shall not in any way effect the right or the power of the Board of Directors or the shareholders or the Company to make or authorise any 'Change in Capital Structure; including any issue of shares, debt or other Securities having any priority or preference with respect to the Shares or the rights thereof.

19.2 Nothing contained in the Plan shall be construed to prevent the Company from taking any Corporate Action which it deems appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any Grant made under the Plan.

20. Confidentiality:

20.1 The Grantee shall ensure complete confidentiality in respect of all documents, matters and discussions in relation to the Plan. Any violation may result in cancellation of the offer without prejudice to the other action, which may be taken in this regard.

21. Insider Trading:

21.1 The Grantee shall ensure that there is no violation of applicable regulations for the prevention of "insider trading" in Shares and Securities and for prevention of fraudulent and / or unfair trade practices relating to the Securities market.

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

21.3 The Grantee shall indemnify and keep indemnified the Company / Board / / ESOP Committee in respect of any liability arising as a result or consequence of the violation of the above provisions by the Eligible Employee.

22. New Plans:

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

23. Restriction on transfer of Options:

23.1 An Option shall not be transferable and shall be exercisable during the Exercise Period only by such Grantee or in case of death, by the legal heirs of the deceased Grantee. An Option shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

24. Plan Severable:

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

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

25. Dividend:

25.1 A Grantee shall be entitled to receive any dividend declared by the Company in respect of the Shares issued pursuant to the Options granted to him, provided that the Grantee has Exercised the Options and has become a registered shareholder of the Company.

26. Notices:

26.1 Any notice required to be given by a Grantee to the Company or any correspondence to be made between a Grantee and the Company may be given or made to the Company at the registered office or the Company in writing may notify corporate Office OF the Company as.

27. Arbitration:

27.1 All disputes arising out of or in connection with the Plan or the Grant shall be referred to for arbitration in accordance with the provisions of the Arbitration and Conciliation Act, 1996 and shall include any statutory modifications, re-enactment or amendments thereof. The place of arbitration shall be Chennai, India.

28. Governing law:

This Plan and all agreements there under shall be governed by and construed in accordance with the applicable laws in India.

For CAPLIN POINT LABORATORIES LTD.

Company Secretary