

INDSIL HYDRO POWER AND MANGANESE LIMITED

DRAFT EMPLOYEE STOCK OPTION SCHEME 2015

(INDSIL ESOS 2015)

1. SHORT TITLE, EXTENT AND COMMENCEMENT

- a) The Scheme shall be called the "Indsil Hydro Power and Manganese Limited Employee Stock Option Scheme 2015", hereinafter referred to as "INDSIL ESOS 2015" or the Scheme.
- b) The Scheme has been framed in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.
- c) INDISL ESOS 2015 shall replace the INDSIL ESOS 2008.
- d) It shall apply to Eligible Employees.
- e) It shall come into force on the date as stipulated in the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and Securities and Exchange of India's Circular date 16th June 2015.
- f) INDSIL ESOS 2015 is subject to all applicable laws, rules, and regulations.

2. OBJECTIVE OF THE SCHEME

The Scheme is intended to reward the Employees performing par **excellence** and the Directors of the Company, as an incentive to attract and retain the best available talent, to ensure long term commitment to the Company, to encourage individual ownership of the Company by such Employees recognized, to motivate them to contribute to the growth and development of the Company and thereby to achieve the ultimate objective of enhancing the enterprise value of the Company. In the opinion of the Board of Directors of the Company, the Scheme is a manifestation of the confidence reposed by the Company on such Employees of the Company and it is intended to serve as a testimony of the faith the Company has on the Employees and an opportunity to reward them for their outstanding services.

The INDISL ESOS 2015 shall replace the existing INDSIL ESOS 2008. This Scheme is different from the earlier INDSIL ESOS 2008 only to the extent that the number of Options now made available under the Scheme is made dynamic, such that, the total number of Options available under the Scheme is fixed as a percentage of the paid-up share capital of the Company. All the Options which are granted under the INDSIL ESOS 2008 and which are yet to be exercised can be exercised as per the terms of INDSIL ESOS 2015. By doing so, no prejudice will be caused to the Option Grantees under the INDSIL ESOS 2008. Options which are vested and which are not exercised under INDSIL ESOS 2008 will go back to the option pool and will be available for fresh grant to the Eligible Employees in the future.

3. INTERPRETATION

In this Scheme, unless the context otherwise requires,

- a) "Employee Stock Option Scheme" means a scheme under which the Company grants employee stock option directly or through a Trust.
- b) "Act" means the Companies Act, 2013 and rules and regulations framed there under.
- c) "Board" means the Board of Directors for the time being of the Company.
- d) "Company" means Indsil Hydro Power and Manganese Limited and includes its successors.
- e) "Compensation Committee" or CC means the Committee of the Directors of the Company duly constituted by the Board of Directors in accordance with the Companies Act, 2013.
- f) "Director" means a member of the Board of Directors of the Company, whether a Whole Time Director or not, of the Company who either by himself/herself or through his/her relative or through any Body corporate directly or indirectly holds more than 10% of the outstanding equity capital of the Company, but excluding an Independent Director.
- g) "Effective Date" shall be the date on which the Board may decide to grant Options under this Scheme from time to time.
- h) "Eligible Employees" are permanent employees of the Company who have been working in India or outside India and who as per the assessment of the Management of the Company perform par excellence and such employees who are already covered under INDSIL ESOS 2008 includes Whole-Time Directors, who qualify for Grant under this Scheme but does not include an employee who is a Promoter or belongs to the Promoter Group or a non-executive director being an independent director or a Director within the meaning of Para 3(f) herein. A person who ceases to be an employee of the Company shall not be eligible for Grant.
- i) "ESOS Shares" means Equity Shares of the Company arising upon Exercise of Options granted under ESOS.
- j) "Exercise" means making of an application by an employee to the Company or to the Trust for issue of shares against vested options.
- k) "Exercise Period" means the time period after vesting within which the Eligible Employee should exercise his right to apply for ESOS Shares against Options vested in him/her in pursuance of the Scheme.

- l) "Exercise Price" means the price payable by the Eligible Employee for the purpose of exercising the option granted to him/her in pursuance of the Scheme.
- m) "Fair value of an option" means the fair value calculated in accordance with accounting policies specified in the regulation 15 of SEBI (Share Based Employee Benefits) Regulations, 2014.
- n) "Grant" means the issue of Options to Eligible Employees under the Scheme.
- o) "Guidelines" means SEBI (Share Based Employee Benefits) Regulations, 2014 as amended from time to time.
- p) INDISL ESOS 2008 shall mean Employee Stock Option Scheme which was approved by the shareholders of the Company at the Annual General Meeting of the Company held on 05th December, 2008 and amended by the resolution of the shareholders of the Company in the Annual General Meeting held on 14th December, 2011.
- q) "Letter of Grant" is the letter to be issued by the Trust intimating Eligible Employees about Options Granted.
- r) "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.
- s) "Option" means the option given to an employee which gives the employee a right to purchase or subscribe at a future date, the shares offered by the Company, directly or indirectly, at a pre-determined price.
- t) "Grantee" means the holder of an Option Granted pursuant to the INDSIL ESOS 2008 and / or INDISL ESOS 2015.
- u) "Promoter" for the purpose of this Scheme means ;
 - i) the person or persons who are in overall control of the Company ;
 - ii) the person or persons who are instrumental in the formation of the Company pursuant to which the shares were offered to the public ;
 - iii) 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.

Further, where a promoter is a body corporate, the promoters of that body corporate shall also be deemed to be promoters of the Company.

- v) "Promoter Group" for the purpose of this Scheme means :
 - (i) an immediate relative of the promoter (ie., spouse of that person, or any parent, brother, sister or child of the person or of the spouse.
 - (ii) persons whose shareholding is aggregated for the purpose of disclosing in the offer document "shareholding of the promoter group".

- w) "Permanent Disability" means, with respect to a person, a physical or mental impairment of sufficient severity that, in the opinion of the Company, the person is unable 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 the person's employment with the Company.
- x) "Scheme" shall mean INDSIL ESOS SCHEME, 2015 of the Company proposing to provide share based benefits to its employees, which may be implemented and administered by the Company through a Trust, in accordance with SEBI (Share Based Employee Benefits) Regulations, 2014.
- y) "Shares" means equity shares and securities convertible into equity shares and shall include American Depository Receipts (ADRs), Global Depository Receipts (GDRs) or other Depository Receipts representing underlying equity shares or securities convertible into equity shares.
- z) "Trust" means a Trust established under the provisions of Indian Trusts Act, 1882 including any statutory modification or re-enactment thereof, for implementing any of the schemes covered by Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.
- aa) "Vesting" means the process by which the right to apply for Shares accrues to Eligible Employees against the Options Granted to them.
- ab) "Vesting Period" means the period during which the Vesting takes place.

All other expressions not defined in this Scheme shall have the same meaning as have been assigned to them under the SEBI (Share Based Employee Benefits) Regulations, 2014, Securities and Exchange Board of India Act, 1992, the Securities Contracts (Regulation) Act, 1956, SEBI (Disclosure and Investors Protection) Guidelines, 2000, the Companies Act, 2013 and all statutory modifications or re-enactments thereof, as the case may be.

4. INDSIL ESOS TRUST

For the purpose of making available Shares for being issued to Eligible Employees, INDSIL ESOS TRUST already established under while instituting INDSIL ESOS 2008 will be used to transfer the shares arising out of exercise of Options by the Option Grantees. The Sole Trustee appointed in the said Trust shall take care of the obligations of the Trust in pursuance of this Scheme. Options which have been vested and which are not exercised under INDSIL ESOS 2008 will go back to the option pool and will be available for further fresh grants under the Scheme.

From time to time, as and when further grants are made, the Company will issue sufficient number of fully paid up shares to the Trust which will be transferred to the Eligible Employees as and when they exercise the Options vested in them. The Sole Trustee of the Trust shall transfer such number of shares equivalent to number of Options exercised in pursuance of the Scheme. Cost of transfer shall be borne by the said Trust. There shall be no liability arising to the Trust or the Trustee or its representative for anything done or omitted to be done by the Trust under the Scheme and Trust shall not be called upon to answer any allegations as it is the Company that is administering the Scheme through the Trust and the Trust is merely carrying out the Scheme.

5. OFFER UNDER THE SCHEME

The maximum number of Options that can be granted to the Eligible Employees under the Scheme shall not at any point of time exceed 5% of the paid-up share capital of the Company from time to time. Thus the Company may from time to time increase the number of options available for being granted under the Scheme in a dynamic manner concomitant with the number of fully paid up shares in the capital of the Company from time to time. .

6. COMPENSATION COMMITTEE (CC):

- a) CC is generally empowered to administer the Scheme through INDSIL ESOS TRUST for all purposes as stipulated in the Scheme. Provided that no member of such CC shall be held liable for any action collectively taken in good faith in terms of the Scheme or for securing effective and proper compliance of Guidelines.
- b) Company Secretary of the Company or any other person, as the CC may decide from time to time, shall act as the Compliance Officer for the implementation of the Scheme and he shall act as the Secretary of CC.
- c) CC shall –
 - i) Ensure compliance of all regulatory requirements ;
 - ii) Meet at such time and place as may be necessary and convenient for the purpose of taking decisions to administer the Scheme effectively.
 - iii) Recommend to the Board of Directors of the Company to make Grants from time to time.
 - iv) Supervise transfer of Shares to Eligible Employees by Trust.
- d) Subject to review by Board of Directors of the Company, decision of CC shall be final as regards the following matters :

- i. Lay down the criteria for being regarded as Eligible Employees.
- ii. Determining who are entitled to be regarded as Eligible Employees from time to time.
- iii. Approving the appraisal process followed by the management of the Company so as to factor the result of such process suitably while carrying out the Grant.
- iv. Determining the number of Options per Eligible Employees depending upon his category, no. of years of his service, rank and grade.
- v. Determine the terms and conditions subject to which the Options Granted would vest in the Employee.
- vi. Determine the date of Vesting of the Options.
- vii. Determining the terms and conditions subject to which Vested Options can be exercised by Eligible Employees.
- viii. the number of Options to be reserved, if any, for accommodating new employees who may join the services of the Company after commencement of the Scheme subject to their eligibility.
- ix. Determining any issue relating to unvested Options, expired Options and such other matter as the Board of Directors of the Company may from time to time entrust to CC.
- x. Determining the suitable adjustments to be made for Grant of Options or for cancellation of Vested Options, before or after Exercise, in case of Eligible Employees who are on long sanctioned leave.
- xi. Determining the circumstances in which and the extent to which, Vested Options, before or after Exercise, would lapse or are liable to be cancelled, upon termination of employment on account of resignation or indiscipline or misconduct or for other reasons such as loss or damage to life and property or persistent defaults arising from negligence or otherwise, persistent under performance or port performance caused by an Options Grantee. Provided cancelling exercised Options before actual issue of shares against such Options shall require prior approval of the Board of Directors.
- xii. Framing suitable policies and systems to ensure that there is no violation of SEBI (Share Based Employee Benefit) Regulations, 2014, Securities and Exchange Board of India (Insider Trading) Regulations, 2015 and Securities Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, by any eligible employee.
- xiii. Approving re-issue of forfeited / lapsed / cancelled Options.

- xiv. Deciding the procedure for making reasonable adjustment to grant Size and/or Exercise Price of Options in the case of any intervening corporate action such as bonus issue, rights issue, Share split, sub-division, consolidation of shares, merger , acquisition, demerger, sale of division or undertaking. For this purpose, the CC may consider the following factors :
 - a) the number and price of the ESOS shares shall be adjusted in a manner that the total values of ESOS shares remains the same after the said corporate action ;
 - b) for the said purpose, global practices in this area including the procedures followed by the derivative markets in India and abroad shall be considered ;
 - c) the vesting period and the life of the Options shall be left unaltered as far as possible to protect the rights of the option holders.
- e) To advise the Trust on matters that may arise in the course of implementation of the Scheme through the Trust effectively.
- f) To remove difficulties and to settle all issues that may arise in connection with any question relating to the Scheme. Provided the decision of CC shall be final and binding upon any Eligible Employee who may be aggrieved as a result of anything done or omitted to be done under the Scheme.
- g) To do all such acts, deeds and things as may be necessary, subject to approval of Board of Directors of the Company.

7. TERMS UNDER THE SCHEME :

a) Grant of Options

- i) The Scheme envisages a total grant of Options up to maximum limit not exceeding 5% of the paid-up share capital of the Company from time to time, subject to various terms and conditions as prescribed by the Board of Directors of the Company and / or CC from time to time.
- ii) On every Effective Date, CC shall take out a list of Eligible Employees and the number of Options to be granted to each one of them.
- iii) CC shall intimate Eligible Employees about Grant by means of a written communication containing details of the number of Options Granted, the Date of Grant, Vesting Process, Vesting Period, Exercise Period, Price payable at the time of each Exercise together with an Application Form for exercising the Options during the Exercise Period.

- iv) Options shall be granted under the Scheme after obtaining the in-principle approval of the Stock Exchange in accordance with the respective Listing Agreements entered into the Company. The Company has already issued 83,000 fully paid up shares under the INDISL ESOS 2008 initially to the Trust. As and when depending on the number of Options to be granted, adequate number of shares will be issued to the Trust to administer transfer of shares to Eligible Employees in pursuance of the Scheme.
- v) Upon Exercise, subject to terms and conditions of the Scheme and without prejudice to the special circumstances specified under Clause 6(d)(xi) due to which Vested / Exercised Options may lapse, the Trust will transfer shares under the Scheme to Eligible Employees upon their making necessary Exercise application and in consideration of their making payment equivalent to the Exercise Price fixed by the CC per Option as communicated by the Company to the grantee.

b) Vesting of Options

Options which are granted under INDSIL ESOS 2008 shall vest as per the terms under the Scheme. It is clarified that the terms of vesting under the Scheme is same as INDSIL ESOS 2008. The Compensation Committee (CC) be empowered to choose the mode of vesting either on accelerated basis or on graded basis as follows:

- (i) Accelerated basis vesting shall happen in respect of those Eligible Employees chosen or specified by the CC such that all the options granted to such employees shall vest immediately on the expiry of 12 months from the Effective Date.
- (ii) Graded vesting shall happen in a graded basis over a period of four years in respect of those eligible employees chosen or specified by the CC @ 25% from the effective date as follows:
 - a) 25% shall be vested when a period of 12 months would expire from the Effective Date.
 - b) 25% shall be vested when a period of 24 months would expire from the Effective Date.
 - c) 25% shall be vested when a period of 36 months would expire from the Effective Date.
 - d) 25% shall be vested when a period of 48 months would expire from the Effective Date.

- e) In respect of options that are already vested on Graded vesting basis, the CC shall have the liberty to shift certain Grantee (s) or all Grantees from Graded vesting to Accelerated vesting to enable the accelerated vesting of options that are yet to be vested as on the date of such decision by CC.

c) Entitlement of Shares

Each Option shall entitle the Grantee to apply for and seek transfer of one share.

d) Lock-in Period Post issue of Shares under Scheme

There shall be no lock in period of the shares allotted under the Scheme.

e) Exercise of Options

- i. Options which are granted under INDSIL ESOS 2008/ INDSIL ESOS 2015 and which are vested as per the terms of the Scheme can be exercised at the Exercise Price as communicated.
- ii. The Grantee may exercise all or any of the Options Granted under the Scheme at Exercise Price as communicated.
- iii. The Exercise Price shall be a sum equal to the face value of the Shares in respect of which the Grantee has exercised Options vested in him irrespective of the market price of those shares at the time of Exercise.
- iv. The Exercise Period shall be a period of one year from the respective Date of Vesting.
- v. In the event of termination or resignation, all vested Options which have not lapsed due to termination shall be exercised within 30 days of termination or resignation and vested not exercised within the said time limit shall lapse.
- vi. Applications duly filled in and signed by the Grantees and payment towards Exercise Price should be sent to the INDSIL ESOS TRUST for allotment of shares against Options.
- vii. Until shares are transferred, no rights to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Shares notwithstanding the exercise of Option.
- viii. During the Exercise Period, once in every three months or with such periodicity as decided by the Chairman of CC, the CC shall meet in order to review the position and prepare a consolidated list of Eligible Employees who have exercised Options vested in them and to whom shares under the

Scheme should be transferred by the Trust after duly taking into consideration those Eligible Employees whose entitlement ought to be cancelled or lapsed due to existence of circumstances determined by CC in accordance with the Scheme.

- ix. Trust shall, subject to confirmation and clearance by CC, transfer shares to Eligible Employees.
- x. Trust shall return the payment made by an Eligible Employee in case for any reasons the Board of Directors of the Company has approved cancellation of his/her entitlement or return the said amount to the Company as the Board may then direct.
- xi. In case the Eligible Employees do not exercise the Options within the Exercise Period, the Options shall lapse on the expiry of the Exercise Period and no rights will accrue after that date.

f) Non transferability of Options

The Options granted to the Eligible Employees are not transferable. If the option granted is pledged, hypothecated, mortgaged or otherwise alienated in any other manner, no shares shall be allotted against such option.

g) Right of Legal Heirs

- i) In the event of death of a Grantee, all vested Options Granted to him/her shall stand transmitted to the legal heirs of the deceased Grantee (Claimants) and would vest in them instantaneously.
- ii) All unvested Options shall lapse forthwith ;
- iii) All vested Options shall be exercisable at any time within the Exercise Period.
- iv) After the expiry of the Exercise Period, the Scheme shall not apply to such Options at all.

h) Permanent Disability and Transfer/Retirement

- i) In the event of "Permanent Disability" of a Grantee, all Options Granted to him would vest immediately. The decision of CC shall be final as regards "Permanent Disability" of an Eligible Employee.
- ii) In the event of a Grantee being transferred to a subsidiary at the instance of or with consent of the Company, the Grantee shall continue to hold all vested Options and can exercise them any time within the Exercise Period. In such an event all unvested Options shall vest as per the vesting schedule and the Options can be exercised at any time within the Exercise Period.

- iii) Without prejudice to the special circumstances specified under Clause 6(d)(xi) due to which Vested/Exercised Options may lapse, in the event of Retirement of a Grantee, for whatever reasons, the Grantee will continue to hold all vested Options and can exercise them any time within the Exercise Period.

i) Termination of Employment/Resignation

Without prejudice to the special circumstances specified under Clause 6(d)(xi) due to which Vested/Exercised Options may lapse, in case of cessation of employment with the Company, by reason of resignation or termination or discharge or dismissal of employment due to any reasons including non performance, under performance, or otherwise, the unvested Options held by such Grantees shall lapse and vested Options shall lapse if the termination is due to misconduct. No Options shall vest if the resignation or termination or discharge or dismissal takes place before Date of Vesting. All Vested Options which have not lapsed shall be exercised within 30 days of termination or resignation and vested not exercised within the said time limit shall lapse.

j) Variation of terms of the Scheme

- i) The Company shall not vary the terms of the Scheme, in any manner, which may be detrimental to the interests of the Eligible Employees.
- ii) The Company may by a special resolution in a general meeting, vary the terms of the Scheme offered pursuant to an earlier resolution of the shareholders, but not yet exercised by the Eligible Employees, provided such variation is not prejudicial to the interest of the Grantees.
- iii) The Company may re-price the Options which are not exercised, whether or not they have been vested if the Scheme is rendered unattractive due to fall in the price of the shares in the market, provided that such re-pricing is not detrimental to the interest of the Employees and the approval of shareholders in the General Meeting has been obtained for such re-pricing and is in adherence to various applicable laws/regulations/legislations.

8. BONUS AND RIGHTS ISSUE

- i) In the event of a bonus issue of shares being made by the Company during the Vesting Period, a Grantee would be entitled to apply for and be allotted proportionately higher number of Options, in relation to the unvested Options only, exercisable on the same terms as of the original Options except the Exercise Price.
- ii) For the purpose of the Vesting Period and Exercise Period, the Bonus Options will be treated at par with the original Options on which the Bonus Options have been issued.
- iii) All vested but unexercised Options, shall lapse and the Grantee shall not be entitled for any bonus option arising out of such lapsed Options.
 - a. When a Rights issue of Shares intervenes during the Vesting Period, the Company shall issue adequate number of shares to the Trust.
- iv) Grantees are entitled to Options in the same proportion in which members are entitled to apply for rights shares.
- v) The Grantee has no right to renounce.
- vi) In respect of the rights shares, the Exercise Price of the Grantee would be decided by the CC.

9. MERGER/AMALGAMATION

In the event of a merger/amalgamation of the Company with another Company during the Vesting Period, subject to necessary adjustment in respect of unvested Options, with regard to Exercise Price, number of Options, and/or advancement of the Vesting Period may be decided by the CC.

10. RANKING AND LISTING SHARES

- a) Shares issued to the Trust shall rank pari passu with all the existing shares, including entitlement to dividend. Any right attached to such Shares shall be effective and commencing only from the time shares are transferred by the Trust to the Grantee.
- b) Shares issued to the Trust under the Scheme shall be listed on all the stock exchange(s) where the shares are listed and will be subject to terms and conditions of the listing agreements with the stock exchange(s) and the terms and conditions of the Scheme.
- c) If the Company applies for delisting subsequent Grant of Options, the aforesaid Clause will not apply to such stock exchange(s) to which the Company has made necessary application for delisting.

- d) For the purpose of implementation of the Scheme as per the Guidelines, a registered Merchant Banker shall be appointed by the Company.

11. ACCOUNTING

The Company shall conform to the accounting policies as specified in the SEBI (Share Based Employee Benefits) Regulations, 2014.

12. TAX LIABILITY

All tax obligations with regard to Options shall be dealt with in accordance with the provisions of Income Tax Act, 1961.

13. UNDERTAKING TO COMPLY WITH STATUTORY REQUIREMENTS

Eligible Employees are liable to comply with all statutory requirements as may be necessary in the opinion of the Company.

14. GENERAL RISKS

Eligible Employees shall note that the Scheme shall not be construed as any guarantee of return on the equity investment and all shares acquired by them through the Scheme is subject to all market risks to which all shares in the capital of the Company are exposed and any loss due to fluctuations in the market price of the equity should be borne by them.

15. CONFIDENTIALITY

The Employee shall maintain strict confidentiality with regard to every aspect of the Scheme and the Company may require him enter into such confidentiality agreement/undertaking as the Company may desire from time to time so as to implement this Scheme effectively.

16. CONTRACT OF EMPLOYMENT

- a) This Scheme does not form part of any contract of employment between the Company and the Employee.
- b) The terms of employment to which the eligible employee is already subject to shall continue and they shall not be affected by his participation in this Scheme.
- c) The Scheme is in addition to and not in subrogation of any such terms and conditions.

- d) The Scheme does not purport to afford nor affords any additional rights than what is contemplated in accordance with the Scheme and it shall not entitle any employee to any compensation or damages in consequence of the termination of such office or employment or cessation of Directors for any reason.
- e) This Scheme does 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.
- f) This Scheme is purely at the absolute discretion of the Board of Directors of Company.

17. INTERPRETATION

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

18. JURISDICTION

In relation to any dispute or difference arising out of or in connection with this Scheme, the same shall be submitted to the exclusive jurisdiction of the Court of competent jurisdiction at Coimbatore.
