

Sadbhav Engineering Limited
Regd. Off. : 'Sadbhav House', Opp. Law Garden Police Chowki,
Ellishbridge, Ahmedabad – 380006

**Sadbhav Employee Stock Option Scheme 2008 (ESOS
Scheme 2008)**

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Sadbhav Engineering Limited

Regd. Off. : 'Sadbhav House', Opp. Law Garden Police Chowki, Ellishbridge, Ahmedabad – 380006

1. Name, Objective and Term of the Scheme

- a. This Scheme shall be called the “ESOS Scheme 2008”.
- b. The objective of the ESOS Scheme 2008 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. 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.
- c. The ESOS Scheme 2008 is established with effect from September 27, 2008 and in accordance with the approval obtained from the shareholders at their annual general meeting of the company held on 27th September, 2008 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 ESOS Scheme 2008 have been issued and exercised.
- d. The Board may subject to compliance with Applicable Laws, at any time alter, amend, suspend or terminate the ESOS Scheme 2008.

2. Definitions and Interpretation

2.1 Definitions

The terms defined in this ESOS Scheme 2008 shall for the purposes of this ESOS Scheme 2008, have the meanings herein specified and terms not defined in this ESOS Scheme 2008 shall have the meanings as defined in the SEBI Act, 1992, the Securities Contracts (Regulation) Act, 1956, the Companies Act, 1956, the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, or in any statutory modifications or reenactments thereof, as the case may be.

- i. **“Applicable Law”** means the legal requirements relating to Employee Stock Options, including, without limitation, the Companies Act, 1956, SEBI Act, the SEBI Guidelines 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.
- ii. **“Board”** means the Board of Directors of the Company (which term shall be deemed to include any committee including Remuneration Committee.)
- iii. **“Companies Act”** means The Companies Act, 1956 and includes any statutory modifications or reenactments thereof.
- iv. **“Company”** means Sadbhav Engineering Limited and its successors and assigns and where the context so requires includes its Holding Company, if any, and/or its Subsidiaries.

- v. **“Director”** means a member of the Board of the Company.
- vi. **“Eligibility Criteria”** means the criteria as may be determined from time to time by the Remuneration Committee for granting the Employee Stock Options to the employees.
- vii. **“Employee”** means
 - (a) a permanent employee of the company working in India or out of India; or
 - (b) a director, whether a whole time director or not; or
 - (c) an employee as defined in sub-clauses (a) or (b) of a subsidiary, in India or out of India, or of a holding company if any, of the Company.

but excludes:

 - i. an employee who is a promoter or belongs to the promoter group;
 - ii. 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.
- viii. **“Employee Stock Option” or “Option”** means the option granted to an Employee, which gives such Employee the right to purchase or subscribe at a future date the shares underlying the option at a pre-determined price.
- ix. **“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 ESOS Scheme 2008, in accordance with the procedure laid down by the company for exercise of options.
- x. **“Exercise Period”** means such time period after vesting within which the Employee should exercise the options vested in him in pursuance of the ESOS Scheme 2008.
- xi. **“Exercise Price”** means the price payable by an Employee in order to exercise the Option granted to him in pursuance of the ESOS Scheme 2008.
- xii. **“Fair Value”** of an option means the fair value calculated in accordance with the SEBI ESOP Guidelines.
- xiii. **“Grant”** means issue of Options to the Employees under the ESOS Scheme 2008.
- xiv. **“Holding Company”** means a Holding Company as as defined in the Companies Act, 1956.
- xv. **“Market Price”** means the price of an equity share of the Company on Recognized Stock Exchange.
- xvi. **“Option Grantee”** means an Employee having a right but not an obligation to exercise an Employee Stock Option in pursuance of the ESOS Scheme 2008.
- xvii. **“Permanent Incapacity”** 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 Remuneration Committee based on a certificate of a medical expert identified by such Committee.

- xviii. **“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.
- xix. **“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”.
- xx. **“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.
- xxi. **“Remuneration Committee”** means a Committee constituted by the Board of Directors of the Company.
- xxii. **“Retirement”** means retirement as per the rules of the Company.
- xxiii. **“Scheme / ESOS Scheme 2008”** means this Sadbhav Employee Stock Option Scheme 2008 under which the Company is authorised to grant Employee Stock Options to the Employees.
- xxiv. **“SEBI Act”** means the Securities & Exchange Board of India Act, 1992 as amended and includes all regulations and clarifications issued there under.
- xxv. **“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.
- xxvi. **“Shares”** means equity shares of the Company arising out of the exercise of Employee Stock Options granted under the ESOS Scheme 2008.
- xxvii. **“Subsidiary company”** means any present or future subsidiary company of the Company, as defined in the Companies Act, 1956.
- xxviii. **“Vesting”** means earning by the Option Grantee, of the right to apply for Shares of the Company against the Employee Stock Options granted to him in pursuance of the ESOS Scheme 2008.
- xxix. **“Vesting Period”** means the period during which the vesting of the Employee Stock Option granted to the Employee, in pursuance of the ESOS Scheme 2008 takes place.
- xxx. **“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.

- xxxi. **“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.

2.2 Interpretation

In this Scheme, unless the contrary intention appears:

- a) the clause headings are for ease of reference only and shall not be relevant for 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 In accordance with the powers conferred by the shareholders in their annual general meeting of the company held on 27th September, 2008, company is authorized to issue to its employees under Employee Stock Option Scheme 2008- ESOS Scheme 2008, Employee Stock Options exercisable into not more than 2,50,000 equity shares of a face value of Rs.10/- each of the Company under ESOS Scheme 2008, in one or more tranches, 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 The number of options that may be granted to non-executive directors, including independent directors in any particular financial year under ESOS Scheme 2008 shall not exceed 75,000 Equity Shares and 1,00,000 Equity Shares in aggregate during the validity of the scheme out of the total number of options as mentioned in para 3.1 above.
- 3.3 If an Employee Stock Option expires or becomes un-exercisable due to any other reason, it shall become available for future Grants, subject to compliance with all Applicable Laws.
- 3.4 Where Shares are issued consequent upon exercise of an Employee Stock Option under the ESOS Scheme 2008, the maximum number of Shares that can be issued under ESOS Scheme 2008 as referred to in para 3.1 above will stand reduced to the extent of such Shares issued.
- 3.5 In case of a share split or consolidation, if the revised face value of the equity shares is less or more (as the case may be) than the current face value as prevailing on the date of adoption of this Scheme by the Board, the maximum number of shares available for being granted under ESOS Scheme 2008 as specified above shall stand modified accordingly, so as to ensure that the cumulative face value (No. of shares X Face value per share) prior to such share split or consolidation remains unchanged after such share split or consolidation. Thus, for example, if the prevailing face value of each share is Rs. 10 per share and the revised face value after the share split is Rs. 2 per share, the total number of shares available under ESOS Scheme 2008 would be five times the maximum number of shares specified in the Scheme.

4. Administration

- 4.1 The ESOS Scheme 2008 shall be administered by the Remuneration Committee. All questions of interpretation of the ESOS Scheme 2008 or any Employee Stock Option

shall be determined by the Remuneration Committee and such determination shall be final and binding upon all persons having an interest in the ESOS Scheme 2008 or such Employee Stock Option.

4.2 The Remuneration Committee shall in accordance with this Scheme and Applicable Laws determine the detailed terms and conditions of the Employee Stock Options, including but not limited to:

- (a) The quantum of Employee Stock Options to be granted under the ESOS Scheme 2008 per Employee, subject to the ceiling as specified in Para 3.1;
- (b) The Eligibility Criteria;
- (c) The Schedule for Vesting of Employee Stock Options;
- (d) The conditions under which the Employee Stock Option vested in Employees may lapse in case of termination of employment for misconduct;
- (e) The procedure for making a fair and reasonable adjustment to the number of Employee Stock Options and to the Exercise Price in case of a corporate action such as rights issues, bonus issues, merger, sale of division and others. In this regard the following shall be taken into consideration by the Remuneration Committee:
 - (i) the number and / or the price of the Employee Stock Options shall be adjusted in a manner such that the total value of the ESOS Scheme 2008 remains the same before and after such corporate action;
 - (ii) for this purpose, global best practices in this area including the procedures followed by the derivative markets in India and abroad shall be considered;
 - (iii) the Vesting Period and the life of the Employee Stock Options shall be left unaltered as far as possible to protect the rights of the Option Grantee
- (f) The right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
- (g) The procedure and terms for the Grant, Vest and Exercise of Employee Stock Option in case of Employees who are on long leave;
- (h) The procedure for cashless exercise of Employee Stock Options, if required;
- (i) Approve forms, Letter, writings and/or agreements for use in pursuance of the ESOS Scheme 2008.
- (j) Frame suitable policies and systems to ensure that there is no violation of (a) Securities and Exchange Board of India (Insider Trading) Regulations, 1992 and (b) Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995, by any Employee.
- (k) Frame any other byelaws, rules or procedures as it may deem fit for administering ESOS Scheme 2008.
- (l) to change, vary, modify or delete any terms of the Employee Stock Option Scheme; subject to the provisions of SEBI Guidelines.

5. Eligibility and Applicability

- 5.1 All permanent employees of the Company, its Subsidiary Companies and holding Company working in India or out of India, including the Directors of the Company, its Subsidiary Companies and holding Company, whether a whole time director or not but excluding the promoters of the Company, as may be decided by the Remuneration Committee from time to time, would be entitled to be granted stock options under the ESOS Scheme 2008.
- 5.2 Unless otherwise provided by the Remuneration Committee at the time the Employee Stock Options are granted, the Employee Stock Options granted to an Employee shall be subject to the terms and conditions set forth in this Scheme.
- 5.3 Grant of Employee Stock Options shall be evidenced by the Grant Letter in such form including information but not limited to information viz. number of options granted, exercise price, vesting period, as the Remuneration Committee shall from time to time determine in terms of ESOS Scheme 2008..

6. Vesting Schedule / Conditions

Under ESOS Scheme 2008 the options would vest not earlier than one year and not later than four years from the date of grant of such options. Vesting of options would be subject to continued employment with the Company and thus the options would vest on passage of time. In addition to this, the Remuneration Committee may also specify certain performance parameters, from time to time, 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) The options would be granted at an exercise price which would be equal to the latest available closing price on the stock exchange, which records highest trading volume in the Company's Equity Shares on the date prior to the date of the Meeting of the Board/ Remuneration Committee at which options are granted or such price as the Board/ Remuneration Committee may determine on the date(s) of grant of option(s).

The Remuneration Committee or the Board, as the case may be, shall have powers to reprice the Exercise price for the options already granted in respect of one or more employees or a class of employees at their absolute discretion.

Provided any such repricing shall not be detrimental to the interest of the Employees **and the approval of the shareholders has been obtained for repricing and the same is in terms of SEBI guidelines.**

Payment of the Exercise Price shall be made by a crossed cheque or a demand draft drawn in favour of the Company ("Sadbhav Engineering Ltd."), or in such other manner as the Remuneration Committee may decide.

- b) The Exercise Period would commence from the date of vesting and will expire on completion of three years from the date of vesting of options.
- c) The Eligible Employees, opting for exercise can apply for conversion of options into shares, in writing, along with full payment for the shares with respect to which the option granted is exercised viz. there can not be part payment.
- d) The allotment and listing of the shares for the application for the conversion of the options into shares shall be made once in a quarter or as may be decided by the Remuneration Committee.

- e) In the event of the death of an Employee while in employment with the Company, all the Vested and Unvested Options may be Exercised by the Option Grantee's nominee/legal heir, immediately after, but in no event later than six months from the date of death. The options not exercised within such period will be lapsed in the hands of legal heirs / nominees and such un-exercised options will be available for re-issuance under the ESOS Scheme 2008.
- f) In the event of separation of an Employee from the Company due to reasons of Permanent Incapacity the Option Grantee may Exercise his or her Vested as well as Unvested Option immediately after Permanent Incapacity but in no event later than six months from the date of separation from employment. The options not exercised within such period will be lapsed in the hands of such employee and such un-exercised options will be available for re-issuance under the ESOS Scheme 2008.
- g) In the event of separation from employment for reasons of normal retirement or a retirement specifically approved by the Company, whether or not, his service period is extended or re-appointed, the Option Grantee may Exercise his or her Vested Option immediately after retirement but in no event later than six months from the date of separation from employment. For Unvested options, the Remuneration Committee will decide on case to case basis and its decision will be binding to all concerned. The options not exercised within such period will be lapsed in the hands of such employee and such un-exercised options will be available for re-issuance under the ESOS Scheme 2008.
- h) In the event of resignation, all Unvested Options, on the date of submission of resignation, shall expire and stand terminated with effect from that date. However, all Vested Options as on that date shall be exercisable by the employee immediately but not later than the last working day. All Unvested Options terminated and all the vested options not exercised within such period will be lapsed in the hands of such employee and such un-exercised vested options will be available for re-issuance under the ESOS Scheme 2008.
- i) In the event of abandonment of employment by an Option Grantee without the Company's consent, all Employee Stock Options granted to such employee, including the Vested Options, which were not exercised at the time of abandonment of employment, shall stand terminated with immediate effect and such options will be available for re-issuance under the ESOS Scheme 2008. The Remuneration Committee, at its sole discretion shall decide the date of abandonment by an Employee and such decision shall be binding on all concerned.
- j) In the event of termination of the employment of an Option Grantee for any reason, all Employee Stock Options granted to such employee, including the Vested Options which were not exercised at the time of such breach shall stand terminated with effect from the date of such termination of employment and such un-exercised options will be available for re-issuance under the ESOS Scheme 2008. The date of such termination shall be determined by the Remuneration Committee, and its decision on this issue shall be binding and final.
- k) In the event of separation of an option grantee from the employment due to reasons other than those mentioned in clauses e,f,g,h, I, or j, all Unvested Options on the date of separation shall stand cancelled with effect from that date in the hands of the employee / legal heirs or nominee and will be available for re-issuance by the Company under the ESOS Scheme 2008 to other employees. However, all Vested Options as on that date shall be exercisable by the employee immediately but not later than one month from the last working day with the company.

- l) The shares arising out of exercise of vested options would not be subject to any lock-in period after such exercise and shall rank pari-passu in all respect with all other Equity Shares of the Company from the date of allotment.
- m) In the case of transfer of an employee of the Company to Subsidiary Company or Holding Company, the option grantee may exercise the vested options immediately after his / her transfer but in no event later than six months from the date of transfer. For Unvested options, the Remuneration Committee will decide on case to case basis and its decision will be binding to all concerned. The options not exercised by such employee will be lapsed in the hands of such employee and such un-exercised options will be available for re-issuance under the ESOS Scheme 2008.

8. Other Terms and Conditions

- 8.1 Nothing herein is intended to or shall give the Option Grantee any right or status of any kind as a shareholder of the Company 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.
- 8.2 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, except that the entitlement to the number of options will be adjusted in terms of clause 4.2(e). If the employee stock options are granted or vested to the Option Grantee, the Option Grantee would be entitled for bonus or rights shares upon exercise of option by the him / her i.e. Option holders of the Company.
- 8.3 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(e) would apply.
- 8.4 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(e) would apply.
- 8.5 The Employee Stock Option shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

9. Taxation

The Company shall have the right to deduct from the employee's salary, any of the employee's / 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 until the Company's tax deduction obligations relating to Employee Stock Options, including fringe benefit taxes, if any, have been satisfied by the Option Grantee.

As per the provisions of the section 115WC, Employee Stock Option Schemes attract Fringe Benefit Tax. The same would be taxable at the rate of tax + surcharge, if any + education cess + any other cess that may be prescribed from time to time under the Income Tax Act, 1961.

The Company shall pay Fringe Benefit Tax to the Government and simultaneously it will be recovered from the concerned employee.

10. Authority to vary terms

The Remuneration Committee may, if it deems necessary, vary the terms of ESOS Scheme 2008, subject to the SEBI Guidelines and applicable laws.

11. Miscellaneous

11.1 Government Regulations

This ESOS Scheme 2008 shall be subject to all Applicable Laws, and approvals from governmental authorities. The Grant and the allotment of shares under this ESOP Scheme 2008 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.

11.2 Inability to obtain authority

The inability of the Company to obtain authority from any regulatory body having jurisdiction, 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.

11.3 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 of the Company, give such person any right entitlement or expectation 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.

11.4 Neither the existence of this Scheme 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 Scheme by being granted an Employee Stock Option on any other occasion.

11.5 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).

11.6 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.

11.7 The company does not guarantee any return on the equity investment made by the employees as part of this Scheme. Any loss due to fluctuations in the market price of the equity including the shortfall in the expectations or projections and the risks associated with the investment are that of the employee alone.

12. Notices

All notices or communication required to be given by the Company to an Option Grantee by virtue of this ESOS Scheme 2008 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 ESOS Scheme 2008 shall be sent to the address mentioned below:

The Company Secretary
Sadbhav Engineering Limited

'Sadbhav House' Opp. Law Garden Police Chowki,
Elishbridge, Ahmedabad – 380 006

13. Governing Law and Jurisdiction

- 13.1 The terms and conditions of the ESOS Scheme 2008 shall be governed by and construed in accordance with the laws of India.
- 13.2 The Courts of Ahmedabad, India shall have jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of this ESOS Scheme 2008.
- 13.3 Nothing in this Clause will however limit the right of the Company to bring proceedings against any Employee in connection with this ESOS Scheme 2008:
- (i) in any other court of competent jurisdiction; or
 - (ii) Concurrently in more than one jurisdiction.