



Employee Stock Option Scheme – 2017

ARTICLE 1 TITLE

This Employee Stock Option Scheme shall be called the Granules India Limited - Employee Stock Option Scheme 2017 (hereinafter referred as the “ESOS 2017”)

ARTICLE 2 AUTHORITY

The issue of Equity shares to the Employees of the Company and / or its Subsidiary (ies) has been approved by the shareholders of the Company at the 26th Annual General Meeting of the Company held on September 28, 2017.

The Board of Directors / Nomination & Remuneration Committee may, subject to compliance with the applicable laws, at any time modify, change, vary, alter, amend, suspend or terminate the ESOS 2017.

ARTICLE 3 OBJECTS

The objects of the **Granules India Limited – Employee Stock Option Scheme 2017** are:-

1. To provide means to enable the Company and its subsidiaries to attract and retain talent in the Company and its subsidiaries respectively;
2. To motivate the employees with incentives and reward opportunities and to enable them to participate in the future growth and success of Granules India;
3. To achieve sustained growth and to enhance shareholder value by aligning the interests of the Employees with the long term interests of Granules India; and
4. To create a sense of ownership and participation amongst the employees.

ARTICLE 4 DEFINITIONS & INTERPRETATION

I) Definitions

The terms defined in this ESOS 2017 shall for the purpose of this Scheme, have the meanings herein specified and terms not defined shall have the meanings as defined in the Securities and Exchange Board of India Act, 1992 (“SEBI Act”), the Securities Contract (Regulation) Act, 1956, Companies Act, 2013, including rules formed therein, Securities and Exchange Board of India (Issue of capital and disclosure requirements) Regulations, 2009 (“SEBI ICDR”) and Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (“SEBI SBEB”), or in any statutory modifications or reenactments thereof, as the case may be.

In this instrument the following expressions including their grammatical variations and cognate expressions shall, unless repugnant to the context or meaning thereof, have the meaning assigned to them respectively hereunder:

“**Act**” means the Companies Act, 2013 or any statutory modification or re-enactment thereof including the rules formed therein.

“Applicable Law” means the legal requirements relating to ESOS 2017, including, without limitation, the Act, SEBI Act, the ESOP Regulations and all relevant tax, Securities, exchange control or corporate laws of India, or of any other relevant jurisdiction or of any stock exchange on which the shares are listed or quoted.

“Board” means the Board of Directors of the Company or any Committee thereof for the time being and where the context so requires shall include the Board of Directors of a subsidiary company.

“Change in Capital Structure” means a change in the capital structure of the Company as a result of re-classification of Options, splitting up of the face value of Options, consolidation of Options, issue of bonus Options, any other change in the rights or obligations in respect of Options or any change in pursuance of a Corporate Action.

“Company” means Granules India Limited, a company incorporated under the Companies Act, 1956 and having its registered office at 2nd floor, 3rd Block, My Home Hub, Madhapur, Hyderabad – 500081(TS) or any of its subsidiaries and their successors and assigns.

“Nomination & Remuneration Committee” means the Committee of the Board constituted for the purpose of administration of ESOS.

“Corporate Action” means one of the following events:

- i) the merger, de-merger, spin-off, consolidation, amalgamation, sale of business, dissolution or other reorganization of the company in which the existing Options are converted into or exchanged for:
 - a. a different class of Options of the Company; or
 - b. any Options of any other issuer; or
 - c. Cash; or
 - d. Other property,
- ii) the sale, lease or exchange of all or substantially all of the assets or undertaking of the Company.
- iii) any alteration in the capital of the Company on account of issue of rights shares, bonus shares, consolidation of shares, sub-division of shares, re-classification of Options, any restructuring of capital or in any other manner in accordance with the prevalent laws from time to time.
- iv) the adoption by the shareholders of the Company of a Scheme of liquidation, dissolution or winding up.
- v) acquisition (other than acquisition pursuant to any other sub-clause of this clause) by any company, person, entity or group of a controlling stake in the Company. For this purpose, ‘Controlling Stake’ shall mean more than 50% of the voting share capital of the Company.
- vi) any other event, which in the opinion of the Board has a material impact on the business of the Company.

“Eligibility Criteria” means the criteria including such performance criteria as may be determined from time to time by the Nomination & Remuneration Committee for granting Options to the Employees.

“Employee” means any person in the bonafide permanent employment of the Company or its Subsidiary Company(ies) whether located in India or outside India, and includes a Director (whether whole-time or not but excluding an Independent Director) of the Company or its

subsidiary, but shall exclude a 'Promoter' or any other person being part of 'Promoter Group' as defined in the ESOP Regulations and a Director, who directly or indirectly holds more than ten percent of the outstanding equity shares of the Company.

"ESOS 2017" means the **Granules India Limited - Employee Stock Option Scheme 2017** as set out herein and as amended or modified from time to time.

"Employer" means the Company or any of its Subsidiary Company (ies).

"Exercise" of Option means expression of intention by an employee to the Company to purchase the Options vested in him, in pursuance of the ESOS 2017, in accordance with the procedure laid down by the Company for exercise of Option.

"Exercise Date" means the date on which the Option holder exercises the option.

"Exercise Period" in relation to an Option means the time period after Vesting within which an Employee should exercise his right to apply for Options against Option vested in him pursuant to the ESOS 2017.

"Exercise Price" means the price payable by an Employee for exercising the Option granted to him pursuant to the ESOS 2017, in accordance with Article 11.1 of the Scheme.

"ESOP Tax Guidelines" means the Guidelines notified pursuant to Section 17(2)(iii) of the Income tax Act, 1961.

"ESOP Regulations" mean the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 as amended from time to time.

"Grant" means the process by which an Employee is given an Option.

"Grant Date" means the date on which the Nomination & Remuneration Committee determines the options to be granted to an Employee under the ESOS 2017 or such later date as is determined by the Committee.

"Grant Letter" means the letter by which the grant of Options is communicated to the Employees.

"Independent Director" means an Independent Director referred to in sub-section (5) of section 149 of the Companies Act, 2013.

"Performance Shares" are linked to performance conditions, which could be in the form of performance targets as determined by the Board / Nomination & Remuneration Committee.

"Retirement" means retirement from service as per the rules of the Company which includes voluntary retirement.

"Resultant Options" means the shares or other Options issued pursuant to any 'Change in Capital Structure' or on any Corporate Action.

“Option holder” means an employee who has been granted any options under this ESOS 2017 and where the context requires shall include the guardian of an incapacitated Employee, and the nominee or legal heir of a deceased employee.

“Subsidiary” means a subsidiary of the Company as defined in the Act, whether located in India or outside India.

“SEBI” means the Securities and Exchange Board of India constituted under Securities and Exchange Board of India Act, 1992.

“Vested Option” means an Option, which has vested with the Option holder and has thereby, become exercisable.

“Vesting” means the process by which an Employee becomes eligible to exercise his right to apply for shares of the Company against the options granted to him pursuant to the ESOS 2017.

Provided that the options granted under the ESOS 2017 shall not vest before the expiry of one year from the date of grant.

“Vesting Date” in relation to an option means the earliest date on which the rights vested may be exercised by an employee.

II) Interpretation

In this document, unless the contrary intention appears:

- a) the singular includes the plural and vice versa;
- b) the word “Person” includes an individual, a firm, a body corporate or unincorporated entity or any authority; and
- c) any word or expression importing the masculine, feminine or neuter genders only, shall be taken to include all three genders.

III) Article Headings

Article headings are for information only and shall not affect the construction of this document.

IV) References

- a) A reference to a Clause or Schedule is respectively a reference to a Clause or Schedule of this document. The Schedules to this document shall for all purposes form part of this document.
- b) Reference to any Act, Rules, Statute or Notification shall include any statutory modification, substitution or re-enactment thereof.

ARTICLE 5 AUTHORITY AND CEILING

- 5.1 Pursuant to a special Resolution passed by the shareholders at the 26th Annual General Meeting of the Company held on September 28, 2017, the Board/Nomination

& Remuneration Committee has been authorized to issue Options to permanent employees and Directors including the permanent employees and Directors of the Subsidiaries representing such number of Options which shall not exceed five percent of the issued equity shares of the Company as on the date of grant of option(s) convertible into equivalent number of shares, at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board/Committee.

- 5.2 If an Option expires or becomes unexercisable without having been exercised in full, the unexercised Options, which were subject thereto, shall become available for future Grant.
- 5.3 Where Options are issued consequent upon exercise of an Employee Stock Option under the ESOS 2017, the upper limit on the number of shares as referred to in Clause 5.1 above will stand reduced to the extent of such Options issued.

ARTICLE 6 IMPLEMENTATION

- 6.1 The ESOS 2017 shall be implemented by the Nomination & Remuneration Committee under the broad policy and frame work laid down by the Board of Directors in this regard from time to time.

ARTICLE 7 EFFECTIVE DATE AND DURATION OF ESOS 2017

- 7.1 The ESOS 2017 shall be effective from the date of adoption of the Scheme by the shareholders in the 26th Annual General Meeting ("Effective Date").
- 7.2 The ESOS 2017 shall remain in force for a period of 10 years from the date of its adoption by the shareholders in the 26th Annual General Meeting held on September 28, 2017 (referred to as "Effective Period") unless all options granted under the Scheme have been exercised or have been extinguished or unless the Plan is terminated earlier under Article 16 of the Scheme.
- 7.3 If any Option granted under the ESOS 2017 lapses or is forfeited under any provision of the ESOS 2017, such option shall be available for further grant under the ESOS 2017. After the expiry of validity of the Scheme as above, the ESOS 2017 shall remain in effect until all the Options granted under the ESOS 2017 during the Effective period shall have been exercised or shall have expired by reasons of lapse of time or otherwise, whichever is earlier.

ARTICLE 8 NOMINATION & REMUNERATION COMMITTEE

- 8.1 The Company has constituted a "Nomination & Remuneration Committee" which shall administer the ESOS 2017. The Committee currently comprises the following Directors:
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|----------------------|---|----------|
| Mr. C. Parthasarathy | — | Chairman |
| Mr. L.S. Sarma | — | Member |
| Mr. A. Arun Rao | — | Member |

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|---------------------------------|---|--------|
| Mr. K.B. Sankar Rao | - | Member |
| Mr. .Krishna Prasad Chigurupati | - | Member |

- 8.2 The Nomination & Remuneration Committee shall consist of such number of persons, as the Board may deem fit from time to time, to be appointed from amongst the Directors. Provided however that the Independent Directors shall constitute a majority in the Nomination & Remuneration Committee. The Board shall at its sole discretion, have the power to appoint any Director, remove any such Director so appointed and appoint another in his place. Any such appointment and/or removal shall be made by a resolution of the Board. The Nomination & Remuneration Committee shall be entitled to invite any person to attend its meetings and participate in the discussion and deliberations if it so thinks fit. The Nomination & Remuneration Committee, in the exercise of its powers, may require any information from the company, and / or seek the assistance of any employee of the Company as it may deem fit to effectively discharge its duties.
- 8.3 The powers of the Nomination & Remuneration Committee, inter alia, include the power to:
- a. determine the number of Options to be granted to each Employee and in the aggregate, and the times at which such Grant(s) shall be made.
 - b. lay down the conditions under which Options vested in Option holder may lapse in case of termination of employment for misconduct etc.
 - c. determine the Exercise period within which the Option holder should exercise the Option and that Option would lapse on failure to exercise the same within the Exercise period or till the ESOS 2017 is valid and subject to the continuance of employment.
 - d. Specify the time period within which the Employee shall exercise the Vested Option in the event of termination of service or resignation of an employee.
 - e. lay down the procedure for making a fair and reasonable adjustment to the number of Options and to Exercise Price in case of Corporate Actions.
 - f. provide for the right of an Option holder to exercise all the Options vested in him at one time or at various points of time within the Exercise period.
 - g. lay down the method for satisfaction of any tax obligation or any other tax arising in connection with the options.
 - h. lay down the procedure for cashless exercise of options, if any
 - i. provide for the grant, vesting and exercise of Options in case of employees who are on long leave or whose services have been seconded to any other company or who have joined any subsidiary or other company at the instance of the Employer Company.
 - j. Frame suitable policies and systems to ensure that there is no violation of (i) Securities and Exchange Board of India (Prohibition of Insider Trading Regulations) 2015; and (ii) Securities and Exchanges Board of India (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 1995, by any employee.
 - k. Approve forms, writings and/or agreements for use in pursuance of the ESOS 2017.
 - l. Frame any other byelaws, rules or procedures as it may deem fit for administering the ESOS 2017.

- 8.4 The number of members of Nomination & Remuneration Committee and their powers and functions can be specified, varied, altered or modified from time to time by the Board of Directors, subject to the ESOP Regulations and such other rules and regulations as may be in force. The Board may further provide that the Nomination & Remuneration Committee shall exercise certain powers only after consultation with the Board and in such case the said powers shall be exercised accordingly.
- 8.5 No member of Nomination & Remuneration Committee shall be personally liable for any decision or action taken in good faith with respect to the ESOS 2017.
- 8.6 A member of the Nomination & Remuneration Committee shall abstain from participating in and deciding any matter relating to granting of any option to him.

ARTICLE 9 APPRAISAL AND ELIGIBILITY OF AN EMPLOYEE

- 9.1 As soon as possible after the ESOS 2017 comes into effect and at such times thereafter, the Nomination & Remuneration Committee shall, based on the various criteria such as seniority of employee, length of service, performance record, merit of the employee, future potential contribution by the employee and/or such other criteria that as may be determined by the Committee at its sole discretion and decide on the employees who are eligible for the Options under ESOS 2017 and the terms and conditions thereof. The Nomination & Remuneration Committee may in its absolute discretion vary or modify such criteria and / or selection and / or the terms and conditions for granting any Option to any employee or class of employees.

All permanent employees (including a Director, whether whole-time or not) of the Company and its subsidiaries working in India or abroad shall be eligible to participate in the ESOS 2017. Provided however those Employees who are “Promoters” or part of the “Promoter Group” as defined in the ESOP Regulations shall not be entitled to participate in the ESOS 2017. Independent Directors are not entitled to participate in the ESOS 2017 as per the provisions of the Companies Act, 2013.

ARTICLE 10 GRANTING OF OPTIONS

- 10.1 The Nomination & Remuneration Committee may, from time to time grant Options to one or more employees, which may include recurring Options to the same employee. The aggregate number of shares underlying Options that may be granted under ESOS 2017 may not exceed 1% of the Paid-up share capital of the Company in any one year unless the Nomination & Remuneration Committee decides otherwise.
- 10.2 No Employee shall be granted Options under the ESOS 2017 which entitle him to underlying shares exceeding 5,00,000 in each Grant.
- 10.3 Unless agreed to otherwise between the Company and any Employee, the grant of Options to an employee under ESOS 2017 shall entitle the Option holder to apply for equivalent shares in the Company upon payment of a price set out in Article 11.1 of this ESOS 2017, subsequent Options may be granted at such price as may be determined by the Board / Nomination & Remuneration Committee.

- 10.4 Each Option granted shall be advised to the employees in writing specifying the date, number of Options granted, the vesting of the Options, 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 other terms and conditions thereof.

ARTICLE 11

EXERCISE PRICE AND VESTING OF OPTIONS

- 11.1 The Exercise Price of an Option shall be the market price of the Company's shares, which shall be the latest available closing price prior to the Grant Date, on that stock exchange where there is highest trading volume on the said date.
- 11.2 Unless the terms and conditions of grant of Option shall otherwise require, an Option granted to an employee shall entitle him to apply for the Options within the 'exercise period' and at the Exercise Price as determined by the Committee under Article 11.1 above.

Notwithstanding anything to the contrary in this ESOS 2017, the Nomination & Remuneration Committee shall be entitled to make the vesting of any or all of the Options granted to an Employee conditional upon the fulfillment of such performance criteria whether of the Employee and/or any team or group of which he is a part and/or of the Company, as may be determined by the Board / Nomination & Remuneration Committee or determine a vesting schedule other than that specified hereinabove for any Employee or class of Employees.

Explanation: "Exercise period" will commence on the date of vesting and will expire on such date as may be determined by the Committee but, not later than 7th year from the date of grant.

Provided that no options vested can be exercised by the Employees after the expiry of the exercise period and any options that have not been exercised shall lapse.

- 11.2 Unless otherwise specified, all Options granted on any date shall vest in the following manner:
- 10% of the Options shall vest on the expiry of 12 months from the date of the grant.
 - 15% of the Options shall vest on the expiry of 24 months from the date of the grant.
 - 20% of the Options shall vest on the expiry of 36 months from the date of the grant.
 - 25% of the Options shall vest on the expiry of 48 months from the date of the grant.
 - 30% of the Options shall vest on the expiry of 60 months from the date of the grant.

It is hereby clarified that the vesting dates in respect of the Options granted under this ESOS 2017 shall be the sole and absolute discretion of the Nomination & Remuneration Committee and may vary from Employee to Employee or any class thereof and / or in respect of the number or per cent of Options granted to an Employee.

- 11.3 On the earliest date on which any Option is eligible for vesting or immediately thereafter, such number or percentage of the Options as may be specified in the grant letter granting the Options shall vest in the Option holder on an automatic basis and

accordingly, Option holder shall, subject to fulfillment of any other condition as may be specified under the ESOS 2017, be eligible to Exercise the said Options.

- 11.4 Out of the Options eligible for vesting on the basis of *performance parameters* if any, (other than Options which are vested in accordance with Article 11.3 above) such percentage or such number of Options as may be specified by the Nomination & Remuneration Committee in the grant letter or any of the other writing, having regard to the performance of the Option holder evaluated in accordance with such performance criteria as may be laid down by the Nomination & Remuneration Committee, shall vest in the Option holder.
- 11.5 The Nomination & Remuneration Committee in its absolute discretion may, for any Option holder or class of Option holders permit the Options granted, including Options which have not vested, to be exercised with in such time and as per such terms and conditions as it may determine.

ARTICLE 12 EXERCISE OF OPTIONS

- 12.1 Unless otherwise specified in the ESOS 2017, Vested Options must be exercised as set out in the grant letter. The Nomination & Remuneration Committee may, in its discretion lay down different procedure for exercise of options (Performance Shares) which is linked to the performance criteria.
All the Options vested under the “Initial Grant” shall be respectively exercised during the period setout in Article 11.1 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 Article 13. .

- 12.2 The Option holder may, at any time during the Exercise period, and subject to fulfillment of the conditions on which the Options have been granted, exercise the Options by submitting an application to the Board / Nomination & Remuneration Committee to issue and allot him shares pursuant to the vested options, accompanied by payment of an amount equivalent to the Exercise Price in respect of such Options and such other writing, if any, as the Board / Nomination & Remuneration Committee may specify to confirm extinguishment of the rights comprising in the Options then exercised. In the event of exercise of Options resulting in fractional shares, the Nomination & Remuneration Committee shall be entitled to round off the number of shares to be issued to the nearest whole number, and Exercise Price shall be correspondingly adjusted.
- 12.3 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 for subscription of shares and amount of tax calculated in accordance with Article 17.4 and with the prevalent laws at that particular time; or
 - (ii) the Option holder's authority to the Company to deduct such amount from his salary due and payable; or
 - (iii) such other consideration as may be approved by the Board 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.

12.4 The application shall be in such form as may be prescribed in this regard and the Nomination & Remuneration Committee may determine the procedure for the exercise from time to time.

12.5 Subject to the provisions of Article 11.1 hereinabove, allotment of shares pursuant to the exercise of Options made during any month shall be normally made within a period of 7 working days after the end of the month in which the Options are exercised.

Provided further that the Board / Nomination & Remuneration Committee is entitled to specify such other periods during which the options may or may not be permitted to be exercised.

Provided however that, in case of cessation of employment, the Option holder shall be entitled to exercise the options in accordance with the provisions of Article 13 notwithstanding the exercise dates specified hereinabove in this sub-article, but subject to the provisions of any law or regulation for the time being in force.

12.6 Notwithstanding anything contained elsewhere in the ESOS 2017, the Nomination & Remuneration Committee and / or the Board may:

- a) not permit the exercise of any Options (whether vested or not) granted to an employee, in the event of the Employee being found to be involved in fraud, misfeasance, gross negligence, breach of trust, breach of the agreement entered under the terms of employment, 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.
- b) if the exercise of Options within the Exercise Period, is prevented by any law or regulation in force, defer or may not 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 to the Employee for any loss suffered due to such refusal.

Provided further, that the Board shall have the power to cancel all or any of the Options granted under the ESOS 2017 if so required under any law for the time being in force or on the order of the jurisdictional court. In the event of any such cancellation, no compensation shall be payable to the Option holder for such cancelled Options.

ARTICLE 13 CESSATION OF EMPLOYMENT

13. In the event of the Option holder ceasing to be in the service of the Company, the following shall apply:

(a) Resignation by Employee

In a case where an Option holder shall have resigned from the services of an employer, the unvested Options shall lapse forthwith and the Option vested in him shall be exercised by him within 90 days from the date on which his resignation

becomes effective i.e. to say the date on which the contract of employment stands terminated or the last day of exercise period whichever is earlier.

The following example would impart clarity to the aforesaid paragraph:

Suppose an option is vested on 25th September 2017 and an employee resigns w.e.f 30th September 2017, then the last day for exercise of options would be the earliest of the following dates:

- a. within 90 days from 30th September 2017; or
- b. the last day of exercise of Option as stated in the grant letter

(b) Termination for 'Cause'

Notwithstanding anything stated hereinabove or elsewhere in the ESOS 2017, in the event of an Option holder ceasing to be in the services of the Employer, due to "Cause", all Options outstanding on the date of cessation of his employment shall stand cancelled forthwith and that Option holder shall not be permitted to exercise any right in respect thereof.

For the purpose of this sub-clause, date of the cessation of employment of an Option holder shall mean the date of termination of the employment specified by the employer in the letter of termination issued by the Employer to that Option holder.

- "Cause" shall mean, as determined by the Nomination & Remuneration Committee,
- (i) the continued failure of the Option holder to substantially perform his duties to the Company (other than any such failure resulting from retirement, death, or disability as provided below),
 - (ii) the engaging by the Option holder in willful, reckless or grossly negligent misconduct which is determined to be detrimental to the interest of the Employer Company or any of its affiliates, monetarily or otherwise,
 - (iii) fraud, misfeasance, breach of trust or wrongful disclosure by the Option holder of any secret or confidential information about the Employer Company
 - (iv) the Option holder being found to be or becomes of unsound mind
 - (v) the Option holder commits an act of insolvency
 - (vi) the Option holder is convicted by court of offence or
 - (vii) the Option holder found to be involved in any activity involving moral turpitude;
 - (viii) the option holder commits breach of terms of confidentiality and / or the non-competency clauses in terms of the employment agreement entered into with the Company

Provided that nothing contained in Article 13.1 shall be applicable, in the event of secondment, substitution or deputation of the Option holder's services so long as the Option holder continues to be employed by the Employer Company.

Provided further that the Nomination & Remuneration Committee shall have full power and authority to relax any of the conditions and provisions of Article 13.1 in case of an Employee who resigns from service of an Employer to join it's Holding or its Subsidiary or of its Holding Company or any Associate Company. For the purpose of this sub-

article, "Associate Company" shall mean any company in which the Company has a significant influence as defined in the Act and includes a Joint Venture Company.

- b) Death or Permanent Incapacitation of an Employee: Notwithstanding anything elsewhere stated in this document so long as it is required by ESOP Regulations, in the event of cessation of employment by death or permanent incapacitation of an employee whilst in employment –
 - i. All Options granted to such employee till the date of death or permanent incapacitation, shall vest in him on that day and the Board / Nomination & Remuneration Committee may decide upon the terms of exercise at its discretion.
 - ii. All options which remain vested on the date of death or permanent incapacitation shall be exercised by the nominee / beneficiary, or the legal heir or his legal guardian, as the case may be, before the expiry of 12 months from the date of the death or permanent incapacitation of such Employee or the generally prescribed Exercise Period for such Options, whichever is earlier, failing which all the unexercised Options shall lapse irrevocably and the rights thereunder shall be extinguished.
- c) Retirement: In case of retirement on superannuation or voluntary retirement of an Employee in accordance with the rules and policies of the Company –
 - i. All unvested Options on the date of the superannuation shall lapse, unless otherwise decided by the Board / Nomination & Remuneration Committee (which decision shall be taken by the Board / Nomination & Remuneration Committee at its sole discretion).
 - ii. The vested options shall be exercised before the expiry of 12 months from the date of superannuation or before the expiry of the Exercise period, whichever is earlier.

ARTICLE 14

TERMS AND CONDITIONS OF SHARES

All shares acquired under the ESOS 2017 will rank pari passu with all other shares of the Company, save as regards any right attached to any such shares by reference to a record date prior to the date of allotment.

- 14.1 Neither an Option holder, nor his successor in interest, shall have any of the rights of a shareholder of the Company with respect to the Shares for which the Option is to be exercised until such shares are issued and allotted by the Company.
- 14.2 If the Company issues Options in the form of bonus or rights, the Option holder will be eligible for the bonus or rights in the capacity of an Option holder.

ARTICLE 15
CHANGE IN CAPITAL STRUCTURE OR CORPORATE ACTION

- 15.1 Except as hereinafter provided, a Grant made shall be subject to adjustment by the Nomination & Remuneration Committee, at its discretion, as to the number and price of Options or Shares, as the case may be, in the event of 'Change in Capital Structure' or a 'Corporate Action' as defined herein.
- 15.2 If there is a change in the Capital Structure of the Company before the Options granted under this ESOS 2017 are exercised, the employee shall be entitled on exercise of the Options, to such number of Resultant Shares to which he would have been entitled as if all then outstanding Options exercised by him, had been Exercised before such 'Change in the Capital Structure' had taken place and the rights under the options shall stand correspondingly adjusted.
- 15.3 The Shares in respect of which the Options are granted are shares as presently constituted and which may be issued in future. But if and when, prior to the expiry of the Exercise Period, there is a change in the Capital Structure' of the company, the number of Resultant Shares with respect to which the Options may thereafter be exercised shall, in the event of:
- i) an increase in the number of Resultant Shares, be proportionately increased, and the Exercise Price, be proportionately reduced.
 - ii) a reduction in the number of Resultant Shares, be proportionately reduced, and the Exercise Price, be proportionately increased.

Provided that in case the provisions of applicable law restrict/prohibit the issue of shares at a discount to its par or other value; the Exercise Price shall not be less than such amount as prescribed under such law.

- 15.4 In the event of 'Corporate action', the Nomination & Remuneration Committee, at least seven days prior to any Corporate Action' or sixty days thereafter, acting in its absolute discretion with or without the consent or approval of the Employee, as it may deem fit, shall in respect of the outstanding Options act on any of the following alternatives:-
- a) Provide that on any Exercise of Options hereafter, the Option holder shall be entitled to the Shares and / or Resultant Shares as if the Option holder had been a Holder of the Shares on the date of the corporate Action.
 - b) Make such adjustment to the Options outstanding to reflect the 'Corporate Action' as may be necessary,
 - c) Substitute the Options Granted, by fresh Options whether in the Company or another company, which have substantially the same terms as the Options Granted under this ESOS 2017.
 - d) Accelerate the vesting and / or the exercise of the Options so that the Options are to be compulsorily exercised before the date specified by the Nomination & Remuneration Committee, failing which they shall lapse.
 - e) Require the mandatory surrender to the Company, by all or some of the Option holder, of all or some of the outstanding options, irrespective of whether, the Options, have vested or not, as on that date. In such an event the Nomination & Remuneration Committee shall pay to such Employee an amount, in cash or otherwise, per Option, as the case may be of the "Surrender Value" after deducting the balance Exercise Price payable, if any.

- 15.5 Where the Company makes a further issue of capital upon which all the existing shareholders of the Company are offered a right to subscribe for the further issue of capital at a price lower than the Fair value, (hereinafter called 'the Rights issue'), the Board may in its absolute discretion, permit the Employees to subscribe pro-rata to the additional shares on the same terms and conditions as the rights issue, as if all the Options not exercised by him had been exercised by him before such change in the Capital Structure of the Company had taken place. Such newly subscribed Shares shall be issued on such terms and conditions as may be determined or deemed fit by the Board.

ARTICLE 16

AMENDMENT OR TERMINATION OF ESOS 2017

- 16.1 The Board / Nomination & Remuneration Committee in its absolute discretion may from time to time modify, change, vary, alter or terminate the ESOS 2017 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 Option holder without his / her consent.

Provided further that the Board shall not except with the approval of the shareholders, amend the ESOS 2017 to increase the aggregate number of Options that may be issued pursuant to the provisions of the ESOS 2017 upon exercise or upon grants except as otherwise stated elsewhere in this ESOS 2017.

- 16.2 Without prejudice to the above, the Board / Nomination & Remuneration Committee, may, without any reference to or consent of the Employee concerned, amend the ESOS 2017 or Grant or any Agreement to comply with any law, regulation or guideline, which is or may hereinafter, become applicable to this ESOS 2017.

ARTICLE 17

OTHERS

- 17.1 No Right to an Option:

Neither the adoption of the ESOS 2017 nor any action of the Board of Directors or Nomination & Remuneration 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 Option as a matter of right.

The grant of options does not form part of the Option holder'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 Options granted to him in respect of any number of Options or any expectation that Options might be granted to him whether subject to any condition.

Neither the existence of this ESOS 2017 nor the fact that an individual has on any occasion been granted an 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 ESOS 2017 by being granted an Option on any other occasion.

The Option holder 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 Option in whole or in part 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) or on account of adverse fluctuation in the fair value of the Options.

17.2 Variation of price of Option granted under the ESOS 2017

The Board / Nomination & Remuneration Committee in compliance with the prevalent ESOP Regulations, may re-price the Option (the Options which are not exercised, whether or not they have been vested) granted in pursuance of the ESOS 2017, if the Options granted may become unattractive.

17.3 No Employment Right Conferred:

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

- (i) give or confer upon such employee any right for continuation of any employment with his employer, or
- (ii) interfere in any way with the right of his Employer to terminate the employment of such employee at any time and for any reason whatsoever.

17.4 Tax implication

Any tax arising out of allotment of shares under the ESOS 2017 will be deducted or paid from / by employee in accordance with applicable Income Tax laws and rules in India and respective countries.

a) Tax Deduction at Source:

The company shall have the right to deduct, in connection with all Grants, all taxes, if any, required by law to be deducted at source and to obtain / recover any payments as may be necessary to enable it to satisfy such obligations.

b) Any other taxes

Any other taxes introduced in future by the State Government or Central Government or any other relevant authority in relevant countries shall also be deducted / collected from the employee.

The Company reserves the right for not allotting the Options in case the Option holder is unable to discharge in full, the obligation in respect of tax deduction at source or any other taxes as referred above.

17.5 No Restriction of Corporate Action:

The existence of the ESOS 2017 and the Grants made hereunder shall not in any way effect the right or the power of the Board of Director or the Shareholder or the Company to make or authorize 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.

Nothing contained in the ESOS 2017 shall be construed to prevent the Employer Company from taking any Corporate Action which is deemed by such Employer Company to be appropriate or in its best interest, whether or not such action would have an adverse effect on the ESOS 2017 or any Grant made under the ESOS 2017. No Employee or other person shall have any claim against the Employer Company as a result of such action.

17.6 Confidentiality:

The Option holder shall ensure complete confidentiality in respect of all documents, matters and discussions in relation to the ESOS 2017, grant, the GRANULES INDIA LIMITED Equity Option Agreement or any connected matter. Any violation may result in cancellation of the Grant without prejudice to the other action, which may be taken in this regard.

17.7 Insider Trading:

The Option holder 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.

The Nomination & Remuneration 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.

The Option holder shall indemnify and keep indemnified the Company in respect of any liability arising as result or consequence of the violation of the above provisions by the employee.

The option holder can exercise the Options vested in him during the closure of the trading window. It shall be incumbent upon the Option holder to inform the Company in relevant forms about change in their shareholding of 5% or more.

17.8 New ESOS

Nothing contained in the ESOS 2017 shall be construed to prevent the Employer directly or through any trust settled by Employer Company, from implementing any other new ESOS for granting 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 ESOS 2017 or any Grant made under the ESOS 2017. No Employee or other person shall have any claim against the Company and / or trust as a result of such action.

17.9 Issues

In respect of any issues arising in respect of the ESOS 2017, the decision of the Board of Directors / Nomination & Remuneration Committee shall be final and binding on all concerned.

17.10 Restriction of Transfer of Option:

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

17.11 ESOS 2017 severable

This ESOS 2017 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.

In the event that any term, condition or provision of this ESOS 2017 being held to be a violation of any applicable law, statute or regulation the same shall be severable from the rest of this ESOS 2017 and shall be of no force and effect and this ESOS 2017 shall remain in full force and effect as if such term, condition or provision had not originally been contained in this ESOS 2017.

17.12 Notices

All notices of communication required to be given by the Company to an Option holder by virtue of this ESOS 2017 shall be in writing and shall be sent to the address of the Option holder available in the records of the Company and any communication to be given by an Option holder to the Company in respect of ESOS 2017 shall be sent to the address mentioned below:

Company Secretary
Granules India Limited
2nd Floor, 3rd Block
My Home Hub, Madhapur
Hyderabad – 500081 (TS)

17.13 Arbitration

All disputes arising out of or in connection with the ESOS 2017 or Grant shall be referred to for arbitration in accordance with the provisions of the Arbitration and Conciliation Act, 1996. The place of Arbitration shall be Hyderabad, India.

17.14 Governing Laws

The ESOS 2017 shall be constructed in accordance with the laws of India and subject to the jurisdiction of Courts in Hyderabad, India only.

IN WITNESS WHEREOF the following Directors of the Company have hereunto set their respective hand and seal on the 29th day of September 2017.

SIGNED BY THE WITHIN NAMED DIRECTORS OF GRANULES INDIA LIMITED

Sd/-
Mr. C. Parthasarathy

Sd/-
Mr. L.S. Sarma

Sd/-
Mr. A. Arun Rao

Sd/-
Mr. K.B. Sankar Rao

Sd/-
Mr. Krishna Prasad Chigurupati

In the presence of

Sd/-
Chaitanya Tummala
Company Secretary

Dated: September 29, 2017

GRANULES INDIA LIMITED

Employee Stock Option Scheme – 2009

ARTICLE 1 TITLE

This Employee Stock Option Scheme shall be called the Granules India Limited - Employee Stock Option Scheme 2009 (hereinafter referred as the “ESOS 2009”)

ARTICLE 2 AUTHORITY

The issue of Equity shares to the Employees of the Company and / or its Subsidiary(ies) has been approved by the shareholders of the Company at the 18th Annual General Meeting of the Company held on September 25, 2009.

The Board of Directors / Compensation & Remuneration Committee may, subject to compliance with the applicable laws, at any time modify, change, vary, alter, amend, suspend or terminate the ESOS 2009.

ARTICLE 3 OBJECTS

The objects of the **Granules India Limited – Employee Stock Option Scheme 2009** are:-

1. To provide means to enable the Company and its subsidiaries to attract and retain talent in the Company and its subsidiaries respectively;
2. To motivate the employees with incentives and reward opportunities and to enable them to participate in the future growth and success of Granules India;
3. To achieve sustained growth and to enhance shareholder value by aligning the interests of the Employees with the long term interests of Granules India; and
4. To create a sense of ownership and participation amongst the employees.

ARTICLE 4 DEFINITIONS & INTERPRETATION

I) Definitions

The terms defined in this ESOS 2009 shall for the purpose of this Scheme, have the meanings herein specified and terms not defined shall have the meanings as defined in the SEBI Act, 1992, the Securities Contract (Regulation) Act, 1956, Companies Act, 1956, SEBI (Disclosure and Investor Protection) Guidelines, 2000 and SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, or in any statutory modifications or reenactments thereof, as the case may be.

In this instrument the following expressions including their grammatical variations and cognate expressions shall, unless repugnant to the context or meaning thereof, have the meaning assigned to them respectively hereunder:

“**Act**” means the Companies Act, 1956 (1 of 1956) or any Statutory modification or re-enactment thereof.

“Applicable Law” means the legal requirements relating to ESOS 2009, including, without limitation, the Act, SEBI Act, the ESOP Guidelines and all relevant tax, Options, exchange control or corporate laws of India, or of any other relevant jurisdiction or of any stock exchange on which the shares are listed or quoted.

“Board” means the Board of Directors of the Company or any Committee thereof for the time being and where the context so requires shall include the Board of Directors of a subsidiary company.

“Change in Capital Structure” means a change in the capital structure of the Company as a result of re-classification of Options, splitting up of the face value of Options, consolidation of Options, issue of bonus Options, any other change in the rights or obligations in respect of Options or any change in pursuance of a Corporate Action.

“Company” means Granules India Limited, a company incorporated under the Companies Act, 1956 and having its registered office at 2nd floor, 3rd Block, My Home Hub, Madhapur, Hyderabad – 500081 or any of its subsidiaries and their successors and assigns.

“Compensation & Remuneration Committee” means the Committee of the Board constituted for the purpose of administration of ESOS.

“Corporate Action” means one of the following events:

- i) the merger, de-merger, spin-off, consolidation, amalgamation, sale of business, dissolution or other reorganization of the company in which the existing Options are converted into or exchanged for:
 - a. a different class of Options of the Company; or
 - b. any Options of any other issuer; or
 - c. Cash; or
 - d. Other property,
- ii) the sale, lease or exchange of all or substantially all of the assets or undertaking of the Company.
- iii) any alteration in the capital of the Company on account of issue of rights shares, bonus shares, consolidation of shares, sub-division of shares, re-classification of Options, any restructuring of capital or in any other manner in accordance with the prevalent laws from time to time.
- iv) the adoption by the shareholders of the Company of a Scheme of liquidation, dissolution or winding up.
- v) acquisition (other than acquisition pursuant to any other sub-clause of this clause) by any company, person, entity or group of a controlling stake in the Company. For this purpose, ‘Controlling Stake’ shall mean more than 50% of the voting share capital of the Company.
- vi) any other event, which in the opinion of the Board has a material impact on the business of the Company.

“Eligibility Criteria” means the criteria including such performance criteria as may be determined from time to time by the Compensation & Remuneration Committee for granting Options to the Employees.

“Employee” means any person in the bonafide permanent employment of the Company or its Subsidiary Company(ies) whether located in India or outside India, and includes a director (whether whole-time or not) of the Company or its subsidiary, but shall exclude a ‘Promoter’ or

any other person being part of 'Promoter Group' as defined in the ESOP Guidelines and / or ESOP Tax Guidelines.

"ESOS 2009" means the **Granules India Limited - Employee Stock Option Scheme 2009** as set out herein and as amended or modified from time to time.

"Employer" means the Company or any of its Subsidiary Company(ies).

"Exercise" of Option means expression of intention by an employee to the Company to purchase the Options vested in him, in pursuance of the ESOS 2009, in accordance with the procedure laid down by the Company for exercise of Option.

"Exercise Date" means the date on which the Option holder exercises the option.

"Exercise Period" in relation to an Option means the time period after Vesting within which an Employee should exercise his right to apply for Options against Option vested in him pursuant to the ESOS 2009.

"Exercise Price" means the price payable by an Employee for exercising the Option granted to him pursuant to the ESOS 2009, in accordance with Article 11.1 of the Scheme.

"ESOP Tax Guidelines" means the Guidelines notified pursuant to Section 17(2)(iii) of the Income tax Act, 1961.

"ESOP Guidelines" mean the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time.

"Grant" means the process by which an Employee is given an Option.

"Grant Date" means the date on which the Compensation & Remuneration Committee determines the options to be granted to an Employee under the ESOS 2009 or such later date as is determined by the Committee.

"Grant Letter" means the letter by which the grant of Options is communicated to the Employees.

"Independent Director" means a non-executive director of the Company within the meaning of Clause 49(1)(a)(iii) of the Listing Agreement entered with the Stock Exchange(s).

"Performance Shares" are linked to performance conditions, which could be in the form of performance targets as determined by the Board / Compensation & Remuneration Committee.

"Retirement" means retirement from service as per the rules of the Company which includes voluntary retirement.

"Resultant Options" means the shares or other Options issued pursuant to any 'Change in Capital Structure' or on any Corporate Action.

“Option holder” means an employee who has been granted any options under this ESOS 2009 and where the context requires shall include the guardian of an incapacitated Employee, and the nominee or legal heir of a deceased employee.

“Subsidiary” means a subsidiary of the Company as defined in the Act, whether located in India or outside India.

“SEBI” means the Securities and Exchange Board of India constituted under Securities and Exchange Board of India Act, 1992.

“Vested Option” means an Option, which has vested with the Option holder and has thereby, become exercisable.

“Vesting” means the process by which an Employee becomes eligible to exercise his right to apply for shares of the Company against the options granted to him pursuant to the ESOS 2009.

Provided that the options granted under the ESOS 2009 shall not vest before the expiry of one year from the date of grant.

“Vesting Date” in relation to an option means the earliest date on which the rights vested may be exercised by an employee.

II) Interpretation

In this document, unless the contrary intention appears:

- a) the singular includes the plural and vice versa;
- b) the word “Person” includes an individual, a firm, a body corporate or unincorporated entity or any authority; and
- c) any word or expression importing the masculine, feminine or neuter genders only, shall be taken to include all three genders.

III) Article Headings

Article headings are for information only and shall not affect the construction of this document.

IV) References

- a) A reference to a Clause or Schedule is respectively a reference to a Clause or Schedule of this document. The Schedules to this document shall for all purposes form part of this document.
- b) Reference to any Act, Rules, Statute or Notification shall include any statutory modification, substitution or re-enactment thereof.

ARTICLE 5 AUTHORITY AND CEILING

- 5.1 Pursuant to a special Resolution passed by the shareholders at the 18th Annual General Meeting of the Company held on September 25, 2009, the

Board/Compensation & Remuneration Committee has been authorized to issue Options to permanent employees and Directors including the permanent employees and Directors of the Subsidiaries representing such number of Options which shall not exceed five percent of the issued equity shares of the Company as on the date of grant of option(s) convertible into equivalent number of shares, at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board/Committee.

- 5.2 If an Option expires or becomes unexercisable without having been exercised in full, the unexercised Options, which were subject thereto, shall become available for future Grants or sale.
- 5.3 Where Options are issued consequent upon exercise of an Employee Stock Option under the ESOS 2009, the upper limit on the number of shares as referred to in Clause 5.1 above will stand reduced to the extent of such Options issued.

ARTICLE 6 IMPLEMENTATION

- 6.1 The ESOS 2009 shall be implemented by the Compensation & Remuneration Committee under the broad policy and frame work laid down by the Board of Directors in this regard from time to time.

ARTICLE 7 EFFECTIVE DATE AND DURATION OF ESOS 2009

- 7.1 The ESOS 2009 shall be effective from the date of adoption of the Scheme by the shareholders in the 18th Annual General Meeting ("Effective Date").
- 7.2 The ESOS 2009 shall remain in force for a period of 10 years from the date of its adoption by the shareholders in the 18th Annual General Meeting held on September 25, 2009 (referred to as "Effective Period") unless all options granted under the Scheme have been exercised or have been extinguished or unless the Plan is terminated earlier under Article 16 of the Scheme.
- 7.3 If any Option granted under the ESOS 2009 lapses or is forfeited under any provision of the ESOS 2009, such option shall be available for further grant under the ESOS 2009. After the expiry of validity of the Scheme as above, the ESOS 2009 shall remain in effect until all the Options granted under the ESOS 2009 during the Effective period shall have been exercised or shall have expired by reasons of lapse of time or otherwise, whichever is earlier.

ARTICLE 8 COMPENSATION & REMUNERATION COMMITTEE

- 8.1 The Company has constituted a "Compensation & Remuneration Committee" which shall administer the ESOS 2009. The Committee currently comprises the following Directors:
- | | | |
|-----------------|---|----------|
| Shri L.S.Sarma | — | Chairman |
| Shri A.P.Kurian | — | Member |

| | | |
|-----------------------|---|--------|
| Shri Krishna M Ella | – | Member |
| Shri C.Krishna Prasad | – | Member |

- 8.2 The Compensation & Remuneration Committee shall consist of such number of persons, as the Board may deem fit from time to time, to be appointed from amongst the Directors. Provided however that the independent directors shall constitute a majority in the Compensation & Remuneration Committee. The Board shall at its sole discretion, have the power to appoint any Director, remove any such Director so appointed and appoint another in his place. Any such appointment and/or removal shall be made by a resolution of the Board. The Compensation & Remuneration Committee shall be entitled to invite any person to attend its meetings and participate in the discussion and deliberations if it so thinks fit. The Compensation & Remuneration Committee, in the exercise of its powers, may require any information from the company, and / or seek the assistance of any employee of the Company as it may deem fit to effectively discharge its duties.
- 8.3 The powers of the Compensation & Remuneration Committee, inter alia, include the power to:
- determine the number of Options to be granted to each Employee and in the aggregate, and the times at which such Grant(s) shall be made.
 - lay down the conditions under which Options vested in Option holder may lapse in case of termination of employment for misconduct etc.
 - determine the Exercise period within which the Option holder should exercise the Option and that Option would lapse on failure to exercise the same within the Exercise period or till the ESOS 2009 is valid and subject to the continuance of employment.
 - Specify the time period within which the Employee shall exercise the Vested Option in the event of termination of service or resignation of an employee.
 - lay down the procedure for making a fair and reasonable adjustment to the number of Options and to Exercise Price in case of Corporate Actions.
 - provide for the right of an Option holder to exercise all the Options vested in him at one time or at various points of time within the Exercise period.
 - lay down the method for satisfaction of any tax obligation including Fringe benefit tax (FBT) or any other tax arising in connection with the options.
 - lay down the procedure for cashless exercise of options, if any
 - provide for the grant, vesting and exercise of Options in case of employees who are on long leave or whose services have been seconded to any other company or who have joined any subsidiary or other company at the instance of the Employer Company.
 - Frame suitable policies and systems to ensure that there is no violation of (i) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; and (ii) Securities and Exchanges Board of India (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 1995, by any employee.
 - Approve forms, writings and/or agreements for use in pursuance of the ESOS 2009.
 - Frame any other byelaws, rules or procedures as it may deem fit for administering the ESOS 2009
- 8.4 The number of members of Compensation & Remuneration Committee and their powers and functions can be specified, varied, altered or modified from time to time by

the Board of Directors, subject to the ESOP Guidelines and such other rules and regulations as may be in force. The Board may further provide that the Compensation & Remuneration Committee shall exercise certain powers only after consultation with the Board and in such case the said powers shall be exercised accordingly.

- 8.5 No member of Compensation & Remuneration Committee shall be personally liable for any decision or action taken in good faith with respect to the ESOS 2009.
- 8.6 A member of the Compensation & Remuneration Committee shall abstain from participating in and deciding any matter relating to granting of any option to him.

ARTICLE 9 APPRAISAL AND ELIGIBILITY OF AN EMPLOYEE

- 9.1 As soon as possible after the ESOS 2009 comes into effect and at such times thereafter, the Compensation & Remuneration Committee shall, based on the various criteria decide on the employees who are eligible for the Options under ESOS 2009 and the terms and conditions thereof. The Compensation & Remuneration Committee may in its absolute discretion vary or modify such criteria and / or selection and / or the terms and conditions for granting any Option to any employee or class of employees. It is hereby clarified that the Board may authorize and grant Options under any other ESOS 2009 within the overall limit stated in Article 5.1 herein above, if such limit is not exhausted under this ESOS 2009, whether before or after the termination of the ESOS 2009.

All permanent employees (including a director, whether whole-time or not) of the Company and its subsidiaries working in India or abroad shall be eligible to participate in the ESOS 2009. Provided however those Employees who are "Promoters" or part of the "Promoter Group" as defined in the ESOP Guidelines shall not be entitled to participate in the ESOS 2009.

ARTICLE 10 GRANTING OF OPTIONS

- 10.1 The Compensation & Remuneration Committee may, from time to time grant Options to one or more employees, which may include recurring Options to the same employee. The aggregate number of shares underlying Options that may be granted under ESOS 2009 may not exceed 1% of the Paid-up share capital of the Company in any one year unless the Compensation & Remuneration Committee decides otherwise.
- 10.2 No Employee shall be granted Options under the ESOS 2009 which entitle him to underlying shares exceeding 50,000 in each Grant.
- 10.3 Unless agreed to otherwise between the Company and any Employee, the grant of Options to an employee under ESOS 2009 shall entitle the Option holder to apply for equivalent shares in the Company upon payment of a price set out in Article 11.1 of this ESOS 2009, subsequent Options may be granted at such price as may be determined by the Board / Compensation & Remuneration Committee.

- 10.4 Each Option granted shall be advised to the employees in writing specifying the date, number of Options granted, the vesting of the Options, 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 other terms and conditions thereof.

ARTICLE 11

EXERCISE PRICE AND VESTING OF OPTIONS

- 11.1 The Exercise Price of an Option shall be the market price of the Company's shares, which shall be the latest available closing price prior to the Grant Date, on that stock exchange where there is highest trading volume on the said date.
- 11.2 Unless the terms and conditions of grant of Option shall otherwise require, an Option granted to an employee shall entitle him to apply for the Options within the 'exercise period' and at the Exercise Price as determined by the Committee under Article 11.1 above.

Notwithstanding anything to the contrary in this ESOS 2009, the Compensation & Remuneration Committee shall be entitled to make the vesting of any or all of the Options granted to an Employee conditional upon the fulfillment of such performance criteria whether of the Employee and/or any team or group of which he is a part and/or of the Company, as may be determined by the Board / Compensation & Remuneration Committee or determine a vesting schedule other than that specified hereinabove for any Employee or class of Employees.

Explanation: "Exercise period" will commence on the date of vesting and will expire on such date as may be determined by the Committee but, not later than 7th year from the date of grant.

Provided that no options vested can be exercised by the Employees after the expiry of the exercise period and any options that have not been exercised shall lapse.

- 11.2 Unless otherwise specified, all Options granted on any date shall vest in the following manner:
- 10% of the Options shall vest on the expiry of 12 months from the date of the grant.
 - 20% of the Options shall vest on the expiry of 24 months from the date of the grant.
 - 30% of the Options shall vest on the expiry of 36 months from the date of the grant.
 - 40% of the Options shall vest on the expiry of 48 months from the date of the grant.

It is hereby clarified that the vesting dates in respect of the Options granted under this ESOS 2009 shall be the sole and absolute discretion of the Compensation & Remuneration Committee and may vary from Employee to Employee or any class thereof and / or in respect of the number or per cent of Options granted to an Employee.

- 11.3 On the earliest date on which any Option is eligible for vesting or immediately thereafter, such number or percentage of the Options as may be specified in the grant letter granting the Options shall vest in the Option holder on an automatic basis and accordingly, Option holder shall, subject to fulfillment of any other condition as may be specified under the ESOS 2009, be eligible to Exercise the said Options.

- 11.4 Out of the Options eligible for vesting on the basis of *performance parameters* if any, (other than Options which are vested in accordance with Article 11.3 above) such percentage or such number of Options as may be specified by the Compensation & Remuneration Committee in the grant letter or any of the other writing, having regard to the performance of the Option holder evaluated in accordance with such performance criteria as may be laid down by the Compensation & Remuneration Committee, shall vest in the Option holder.
- 11.5 The Compensation & Remuneration Committee in its absolute discretion may, for any Option holder or class of Option holders permit the Options granted, including Options which have not vested, to be exercised with in such time and as per such terms and conditions as it may determine.

ARTICLE 12

EXERCISE OF OPTIONS

- 12.1 Unless otherwise specified in the ESOS 2009, Vested Options must be exercised as set out in the grant letter. The Compensation & Remuneration Committee may, in its discretion lay down different procedure for exercise of options (Performance Shares) which is linked to the performance criteria.
All the Options vested under the "Initial Grant" shall be respectively exercised during the period setout in Article 11.1 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 Article 13. .
- 12.2 The Option holder may, at any time during the Exercise period, and subject to fulfillment of the conditions on which the Options have been granted, exercise the Options by submitting an application to the Board / Compensation & Remuneration Committee to issue and allot him shares pursuant to the vested options, accompanied by payment of an amount equivalent to the Exercise Price in respect of such Options and such other writing, if any, as the Board / Compensation & Remuneration Committee may specify to confirm extinguishment of the rights comprising in the Options then exercised. In the event of exercise of Options resulting in fractional shares, the Compensation & Remuneration Committee shall be entitled to round off the number of shares to be issued to the nearest whole number, and Exercise Price shall be correspondingly adjusted.
- 12.3 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 for subscription of shares and amount of tax calculated in accordance with Article 17.4 and with the prevalent laws at that particular time; or
 - (ii) the Option holder's authority to the Company to deduct such amount from his salary due and payable; or
 - (iii) such other consideration as may be approved by the Board 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.

12.4 The application shall be in such form as may be prescribed in this regard and the Compensation & Remuneration Committee may determine the procedure for the exercise from time to time.

12.5 Subject to the provisions of Article 11.1 hereinabove, allotment of shares pursuant to the exercise of Options made during any month shall be normally made within a period of 7 working days after the end of the month in which the Options are exercised.

Provided further that the Board / Compensation & Remuneration Committee is entitled to specify such other periods during which the options may or may not be permitted to be exercised.

Provided however that, in case of cessation of employment, the Option holder shall be entitled to exercise the options in accordance with the provisions of Article 13 notwithstanding the exercise dates specified hereinabove in this sub-article, but subject to the provisions of any law or regulation for the time being in force.

12.6 Notwithstanding anything contained elsewhere in the ESOS 2009, the Compensation & Remuneration Committee and / or the Board may:

- a) not permit the exercise of any Options (whether vested or not) granted to an employee, in the event of the Employee being found to be involved in fraud, misfeasance, gross negligence, breach of trust, breach of the agreement entered under the terms of employment, 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.
- b) if the exercise of Options within the Exercise Period, is prevented by any law or regulation in force, defer or may not 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 to the Employee for any loss suffered due to such refusal.

Provided further, that the Board shall have the power to cancel all or any of the Options granted under the ESOS 2009 if so required under any law for the time being in force or on the order of the jurisdictional court. In the event of any such cancellation, no compensation shall be payable to the Option holder for such cancelled Options.

ARTICLE 13 CESSATION OF EMPLOYMENT

13. In the event of the Option holder ceasing to be in the service of the Company, the following shall apply:

(a) Resignation by Employee

In a case where an Option holder shall have resigned from the services of an employer, the unvested Options shall lapse forthwith and the Option vested in him shall be exercised by him within 90 days from the date on which his resignation becomes effective i.e. to say the date on which the contract of employment stands terminated or the last day of exercise period whichever is earlier.

The following example would impart clarity to the aforesaid paragraph:

Suppose an option is vested on 25th September 2010 and an employee resigns w.e.f 30th September 2010, then the last day for exercise of options would be the earliest of the following dates:

- a. within 90 days from 30th September 2010; or
- b. the last day of exercise of Option as stated in the grant letter

(b) Termination for 'Cause'

Notwithstanding anything stated hereinabove or elsewhere in the ESOS 2009, in the event of an Option holder ceasing to be in the services of the Employer, due to "Cause", all Options outstanding on the date of cessation of his employment shall stand cancelled forthwith and that Option holder shall not be permitted to exercise any right in respect thereof.

For the purpose of this sub-clause, date of the cessation of employment of an Option holder shall mean the date of termination of the employment specified by the employer in the letter of termination issued by the Employer to that Option holder.

"Cause" shall mean, as determined by the Compensation & Remuneration Committee,

- (i) the continued failure of the Option holder to substantially perform his duties to the Company (other than any such failure resulting from retirement, death, or disability as provided below),
- (ii) the engaging by the Option holder in willful, reckless or grossly negligent misconduct which is determined to be detrimental to the interest of the Employer Company or any of its affiliates, monetarily or otherwise,
- (iii) fraud, misfeasance, breach of trust or wrongful disclosure by the Option holder of any secret or confidential information about the Employer Company
- (iv) the Option holder being found to be or becomes of unsound mind
- (v) the Option holder commits an act of insolvency
- (vi) the Option holder is convicted by court of offence or
- (vii) the Option holder found to be involved in any activity involving moral turpitude;
- (viii) the option holder commits breach of terms of confidentiality and / or the non-competency clauses in terms of the employment agreement entered into with the Company

Provided that nothing contained in Article 13.1 shall be applicable, in the event of secondment, substitution or deputation of the Option holder's services so long as the Option holder continues to be employed by the Employer Company.

Provided further that the Compensation & Remuneration Committee shall have full power and authority to relax any of the conditions and provisions of Article 13.1 in case of an Employee who resigns from service of an Employer to join it's Holding or its Subsidiary or of its Holding Company or any Associate Company. For the purpose of this sub-article, "Associate Company" shall mean any company in which not less than 25% of the equity share capital is held by the company singly or together with its subsidiaries.

- b) Death or Permanent Incapacitation of an Employee: Notwithstanding anything elsewhere stated in this document so long as it is required by ESOP Guidelines, in the event of cessation of employment by death or permanent incapacitation of an employee whilst in employment –
 - i. All Options granted to such employee till the date of death or permanent incapacitation, shall vest in him on that day and the Board / Compensation & Remuneration Committee may decide upon the terms of exercise at its discretion.
 - ii. All options which remain vested on the date of death or permanent incapacitation shall be exercised by the nominee / beneficiary, or the legal heir or his legal guardian, as the case may be, before the expiry of 12 months from the date of the death or permanent incapacitation of such Employee or the generally prescribed Exercise Period for such Options, whichever is earlier, failing which all the unexercised Options shall lapse irrevocably and the rights thereunder shall be extinguished.
- c) Retirement: In case of retirement on superannuation or voluntary retirement of an Employee in accordance with the rules and policies of the Company –
 - i. All unvested Options on the date of the superannuation shall lapse, unless otherwise decided by the Board / Compensation & Remuneration Committee (which decision shall be taken by the Board / Compensation & Remuneration Committee at its sole discretion).
 - ii. The vested options shall be exercised before the expiry of 12 months from the date of superannuation or before the expiry of the Exercise period, whichever is earlier.

ARTICLE 14

TERMS AND CONDITIONS OF SHARES

All shares acquired under the ESOS 2009 will rank pari passu with all other shares of the Company, save as regards any right attached to any such shares by reference to a record date prior to the date of allotment.

- 14.1 Neither an Option holder, nor his successor in interest, shall have any of the rights of a shareholder of the Company with respect to the Shares for which the Option is to be exercised until such shares are issued and allotted by the Company.
- 14.2 If the Company issues Options in the form of bonus or rights, the Option holder will be eligible for the bonus or rights in the capacity of an Option holder.

ARTICLE 15
CHANGE IN CAPITAL STRUCTURE OR CORPORATE ACTION

- 15.1 Except as hereinafter provided, a Grant made shall be subject to adjustment by the Compensation & Remuneration Committee, at its discretion, as to the number and price of Options or Shares, as the case may be, in the event of 'Change in Capital Structure' or a 'Corporate Action' as defined herein.
- 15.2 If there is a change in the Capital Structure of the Company before the Options granted under this ESOS 2009 are exercised, the employee shall be entitled on exercise of the Options, to such number of Resultant Shares to which he would have been entitled as if all then outstanding Options exercised by him, had been Exercised before such 'Change in the Capital Structure' had taken place and the rights under the options shall stand correspondingly adjusted.
- 15.3 The Shares in respect of which the Options are granted are shares as presently constituted and which may be issued in future. But if and when, prior to the expiry of the Exercise Period, there is a change in the Capital Structure' of the company, the number of Resultant Shares with respect to which the Options may thereafter be exercised shall, in the event of:
- i) an increase in the number of Resultant Shares, be proportionately increased, and the Exercise Price, be proportionately reduced.
 - ii) a reduction in the number of Resultant Shares, be proportionately reduced, and the Exercise Price, be proportionately increased.

Provided that in case the provisions of applicable law restrict/prohibit the issue of shares at a discount to its par or other value; the Exercise Price shall not be less than such amount as prescribed under such law.

- 15.4 In the event of 'Corporate action', the Compensation & Remuneration Committee, at least seven days prior to any Corporate Action' or sixty days thereafter, acting in its absolute discretion with or without the consent or approval of the Employee, as it may deem fit, shall in respect of the outstanding Options act on any of the following alternatives:-
- a) Provide that on any Exercise of Options hereafter, the Option holder shall be entitled to the Shares and / or Resultant Shares as if the Option holder had been a Holder of the Shares on the date of the corporate Action.
 - b) Make such adjustment to the Options outstanding to reflect the 'Corporate Action' as may be necessary,
 - c) Substitute the Options Granted, by fresh Options whether in the Company or another company, which have substantially the same terms as the Options Granted under this ESOS 2009.
 - d) Accelerate the vesting and / or the exercise of the Options so that the Options are to be compulsorily exercised before the date specified by the Compensation & Remuneration Committee, failing which they shall lapse.
 - e) Require the mandatory surrender to the Company, by all or some of the Option holder, of all or some of the outstanding options, irrespective of whether, the Options, have vested or not, as on that date. In such an event the Compensation & Remuneration Committee shall pay to such Employee an amount, in cash or

otherwise, per Option, as the case may be of the "Surrender Value" after deducting the balance Exercise Price payable, if any.

- 15.5 Where the Company makes a further issue of capital upon which all the existing shareholders of the Company are offered a right to subscribe for the further issue of capital at a price lower than the Fair value, (hereinafter called 'the Rights issue'), the Board may in its absolute discretion, permit the Employees to subscribe pro-rata to the additional shares on the same terms and conditions as the rights issue, as if all the Options not exercised by him had been exercised by him before such change in the Capital Structure of the Company had taken place. Such newly subscribed Shares shall be issued on such terms and conditions as may be determined or deemed fit by the Board.

ARTICLE 16

AMENDMENT OR TERMINATION OF ESOS 2009

- 16.1 The Board / Compensation & Remuneration Committee in its absolute discretion may from time to time modify, change, vary, alter or terminate the ESOS 2009 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 Option holder without his / her consent.

Provided further that the Board shall not except with the approval of the shareholders, amend the ESOS 2009 to increase the aggregate number of Options that may be issued pursuant to the provisions of the ESOS 2009 upon exercise or upon grants except as otherwise stated elsewhere in this ESOS 2009.

- 16.2 Without prejudice to the above, the Board / Compensation & Remuneration Committee, may, without any reference to or consent of the Employee concerned, amend the ESOS 2009 or Grant or any Agreement to comply with any law, regulation or guideline, which is or may hereinafter, become applicable to this ESOS 2009.

ARTICLE 17

OTHERS

- 17.1 No Right to an Option:

Neither the adoption of the ESOS 2009 nor any action of the Board of Directors or Compensation & Remuneration 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 Option as a matter of right.

The grant of options does not form part of the Option holder'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 Options granted to him in respect of any number of Options or any expectation that Options might be granted to him whether subject to any condition.

Neither the existence of this ESOS 2009 nor the fact that an individual has on any occasion been granted an 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 ESOS 2009 by being granted an Option on any other occasion.

The Option holder 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 Option in whole or in part 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) or on account of adverse fluctuation in the fair value of the Options.

17.2 Variation of price of Option granted under the ESOS 2009

The Board / Compensation & Remuneration Committee in compliance with the prevalent ESOP Guidelines, may re-price the Option (the Options which are not exercised, whether or not they have been vested) granted in pursuance of the ESOS 2009, if the Options granted may become unattractive.

17.3 No Employment Right Conferred:

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

- (i) give or confer upon such employee any right for continuation of any employment with his employer, or
- (ii) interfere in any way with the right of his Employer to terminate the employment of such employee at any time and for any reason whatsoever.

17.4 Tax implication

Any tax arising out of allotment of shares under the ESOS 2009 will be deducted or paid from / by employee in accordance with applicable Income Tax laws and rules in India and respective countries.

a) Tax Deduction at Source:

The company shall have the right to deduct, in connection with all Grants, all taxes, if any, required by law to be deducted at source and to obtain / recover any payments as may be necessary to enable it to satisfy such obligations.

b) Fringe Benefit tax (FBT)

The Company for the purpose of making allotment of options shall have the right to obtain from the employee any tax including FBT if any, which shall be calculated in accordance with the prevalent laws and in manner thought fit by the compensation & Remuneration Committee.

c) Any other taxes

Any other taxes introduced in future by the State Government or Central Government or any other relevant authority in relevant countries shall also be deducted / collected from the employee.

The Company reserves the right for not allotting the Options in case the Option holder is unable to discharge in full, the obligation in respect of tax deduction at source, FBT or any other taxes as referred above.

17.5 No Restriction of Corporate Action:

The existence of the ESOS 2009 and the Grants made hereunder shall not in any way effect the right or the power of the Board of Director or the Shareholder or the Company to make or authorize 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.

Nothing contained in the ESOS 2009 shall be construed to prevent the Employer Company from taking any Corporate Action which is deemed by such Employer Company to be appropriate or in its best interest, whether or not such action would have an adverse effect on the ESOS 2009 or any Grant made under the ESOS 2009. No Employee or other person shall have any claim against the Employer Company as a result of such action.

17.6 Confidentiality:

The Option holder shall ensure complete confidentiality in respect of all documents, matters and discussions in relation to the ESOS 2009, grant, the GRANULES INDIA LIMITED Equity Option Agreement or any connected matter. Any violation may result in cancellation of the Grant without prejudice to the other action, which may be taken in this regard.

17.7 Insider Trading:

The Option holder 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.

The Compensation & Remuneration 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.

The Option holder shall indemnify and keep indemnified the Company in respect of any liability arising as result or consequence of the violation of the above provisions by the employee.

The option holder can exercise the Options vested in him during the closure of the trading window. It shall be incumbent upon the Option holder to inform the Company in relevant forms about change in their shareholding of 5% or more.

17.8 New ESOS

Nothing contained in the ESOS 2009 shall be construed to prevent the Employer directly or through any trust settled by any Employer Company, from implementing any other new ESOS for granting 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 ESOS 2009 or any Grant made under the ESOS 2009. No Employee or other person shall have any claim against the Company and / or trust as a result of such action.

17.9 Issues

In respect of any issues arising in respect of the ESOS 2009, the decision of the Board of Directors / Compensation & Remuneration Committee shall be final and binding on all concerned.

17.10 Restriction of Transfer of Option:

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

17.11 ESOS 2009 severable

This ESOS 2009 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.

In the event that any term, condition or provision of this ESOS 2009 being held to be a violation of any applicable law, statute or regulation the same shall be severable from the rest of this ESOS 2009 and shall be of no force and effect and this ESOS 2009 shall remain in full force and effect as if such term, condition or provision had not originally been contained in this ESOS 2009.

17.12 Notices

All notices of communication required to be given by the Company to an Option holder by virtue of this ESOS 2009 shall be in writing and shall be sent to the address of the Option holder available in the records of the Company and any communication to be given by an Option holder to the Company in respect of ESOS 2009 shall be sent to the address mentioned below:

Secretarial & Legal Department
Granules India Limited
2nd Floor, 3rd Block
My Home Hub, Madhapur
Hyderabad – 500081

17.13 Arbitration

All disputes arising out of or in connection with the ESOS 2009 or Grant shall be referred to for arbitration in accordance with the provisions of the Arbitration and Conciliation Act, 1996. The place of Arbitration shall be Hyderabad, India.

17.14 Governing Laws

The ESOS 2009 shall be constructed in accordance with the laws of India and subject to the jurisdiction of Courts in Hyderabad, India only.

IN WITNESS WHEREOF the following Directors of the Company have hereunto set their respective hand and seal on the 25th day of September 2009.

SIGNED BY THE WITHIN NAMED DIRECTORS OF GRANULES INDIA LIMITED

Shri L.S. Sarma

Shri A.P.Kurian

Dr.Krishna M Ella

Shri C.Krishna Prasad

In the presence of

Mr.Pranesh Raj Mathur
Chief Finance Officer

Dated: September 25, 2009