



Employees' Stock Option Scheme - V

Motilal Oswal Financial Services Limited

1. Name, Objective and Term of the Plan

- 1.1 This Plan shall be called the "Motilal Oswal Financial Services Limited – Employees' Stock Option Scheme - V" (ESOS - V)".
- 1.2 The objective of the ESOS - V is to provide an additional incentive to the employees in the form of Options to receive the equity shares of the Company at a future date. The ESOS - V is aimed at attracting, retaining and rewarding Employees of the Company and its subsidiary companies.
- 1.3 The ESOS - V shall continue to be in force until:-
- (i) its termination by the Board of Directors or the Remuneration/Compensation Committee; or
 - (ii) the date on which all of the options available for issuance under the ESOS - V have been issued and exercised.
- 1.4 The Board of Directors or the Remuneration/Compensation Committee may subject to compliance with Applicable Laws, at any time alter, amend, suspend or terminate the ESOS - V.

2. Definitions and Interpretation

2.1 Definitions

The terms defined in this ESOS - V shall for the purposes of this ESOS - V, have the meanings herein specified and terms not defined in this ESOS - V 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 any statutory modifications or re-enactments thereof, as the case may be.

- i. **"Applicable Law"** means the legal requirements relating to Employee Stock Options, including, but not limited to the Companies Act, 1956, SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 and all relevant tax, securities, exchange control or corporate laws of India or any relevant jurisdiction or of any stock exchange on which the shares of the Company are listed.
- ii. **"Board"** means the Board of Directors of the Company and includes a Committee of the Board which the Board may have constituted or hereinafter constitute.

- iii. **"Companies Act"** means the Companies Act, 1956 and includes any statutory modifications or re-enactment thereof.
- iv. **"Company"** means Motilal Oswal Financial Services Limited (MOFSL).
- v. **"Director"** means a member of the Board.
- vi. **"Eligibility Criteria"** means the criteria as may be determined from time to time by the Remuneration/Compensation Committee for granting the Employee Stock Options to the Employees.
- vii. **"Eligible Employee(s) or Beneficiary (ies)"** means all Employees to whom an Option is Granted under the ESOS, or those Employees who satisfy the Eligibility Criteria for Grant of Options as the case may be.
- viii. **"Employee"** means:-
 - (i) all present and future permanent employees of the company and of its present and future subsidiary company(ies);
 - (ii) all present and future directors of the Company, and of its present and future subsidiary company(ies) , unless they are prohibited from participating in the ESOS under any law or regulations for the time being in force.
- ix. **"Employee Stock Option" or "Option"** means the option granted to an Eligible Employee, which gives such Employee the right but not an obligation to purchase or subscribe at a future date the Shares underlying the Option at a pre-determined Exercise Price.
- x. **"Equity Shares or "Shares"** means an Equity Share of the Company of the face value of Rs. 5 each or where the Equity Shares has been split up into par value of less than Rs. 5 or consolidated into a par value of more than Rs. 5, then the Shares of such denominations, arising out of the exercise of Employee Stock Options granted under the ESOS - V.
- xi. **"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/her, in pursuance of the ESOS - V, in accordance with the procedure laid down by the Remuneration/Compensation Committee for Exercise of Options.

- xii. **"Exercise Period"** means such time period after vesting within which the Employee should Exercise the Options vested in him/her in pursuance of the ESOS - V.
- xiii. **"Exercise Price"** means the price at which the Eligible Employee is entitled to acquire the Equity Shares pursuant to the Options granted and vested in him/her under the ESOS - V.

Exercise Price shall be the closing price of the Company's Equity Shares quoted on the Bombay Stock Exchange Limited immediately preceding the date of Grant of the Stock Options, which for this purpose shall be the date on which the Committee grant the Stock Options, discounted by such percentage as may be determined by the Committee in the best interest of the various stakeholders in the prevailing market conditions.

- xiv. **"Grant"** means issue of Options to the Employees under the ESOS - V.
- xv. **"Subsidiary Company"** means the Subsidiary company (ies) of the Company as defined under section 4 of the Companies Act.
- xvi. **"Letter of Grant"** means the letter issued by the Company intimating the Employee of the Options granted to him/her for acquiring a specified number of Equity Shares at the Exercise Price.
- xvii. **"Options(s)"** means a right but not an obligation granted under this ESOS - V to the Eligible Employees to purchase or subscribe a specified number of Equity Shares of the Company at a future date at the Exercise Price.
- xviii. **"Option Grantee"** means an Employee having a right but not an obligation to Exercise the Option(s) in pursuance of the ESOS - V.
- xix. **"Permanent Incapacity"** means 'total disablement' as defined under the Workmen's Compensation Act, 1923 and as determined by the Remuneration/Compensation Committee based on a certificate of a medical expert identified by the Remuneration/Compensation Committee.
- xx. **"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; and

- 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.

- xxi. **"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); and
- b) persons whose shareholding is aggregated for the purpose of disclosing in the offer document "shareholding of the promoter group".
- xxii. **"Remuneration/Compensation Committee"** means the Committee of Directors as constituted by the Board of Directors of the Company and entrusted with the authority to formulate and implement the Employee Stock Option Scheme(s).
- xxiii. **"Retirement"** means retirement as per the rules of the Company.
- xxiv. **"Scheme/Plan/ESOS - V"** means Motilal Oswal Financial Services Limited – Employees' Stock Option Scheme – V, under which the Company is authorised to Grant.
- xxv. **"Vesting"** means earning by the Option Grantee, of the right to Exercise the Stock Options granted to him/her in pursuance of the ESOS - V.
- xxvi. **"Vesting Condition"** means any condition subject to which the Options Granted would vest in an Option Grantee.
- xxvii. **"Vesting Period"** means the period during which the Vesting of the Employee Stock Option granted to an Employee, in pursuance of the ESOS - V takes place.
- xxviii. **"Vested Option"** means an Option in respect of which the prescribed Vesting Conditions have been satisfied and the Option Grantee has become eligible to Exercise the Option.
- xxix. **"Unvested Option"** means an Option in respect of which the prescribed 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 Plan, unless the contrary intention appears:

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

3. Authority and Ceiling

- 3.1 The Members vide Postal Ballot Notice dated 26th October, 2007, the results of which were declared on 4th December, 2007 had resolved to introduce 'Motilal Oswal Financial Services Limited - Employees' Stock Option Scheme - V' and to issue to the Employees under the ESOS - V, Employee Stock Options exercisable into not more than 5,00,000 Equity Shares of the face value of Rs. 5/- each, with each such Option enabling the Option Grantee to apply for one Equity Share of the Company, in accordance with the terms and conditions of such Grant. The maximum number of Options to be granted to any one employee in ESOS - V shall not in any case exceed such Options which would entitle such Employee to purchase more than 1,00,000 Equity Shares of the Company.

The maximum number of Options to be granted to Non-executive Directors including Independent Directors will not exceed 25,000 Options in any financial year and the total number of Options to be granted to Non-executive Directors including Independent Directors will not exceed 1,00,000 in the aggregate.

- 3.2 If an Employee Stock Option expires or becomes unexercisable without having been exercised in full, the unexercised Options, which were subject thereto, shall become available for future Grants.
- 3.3 Where Shares are issued consequent upon exercise of an Stock Options under the ESOS - V, the upper limit on the number of Shares referred to in Clause 3.1 above will stand reduced to the extent of such Shares issued.
- 3.4 If any bonus and/or rights Equity Shares are issued by the Company or the Equity Shares of the Company are consolidated into par value of more

than Rs. 5 each split up reducing the face value per Equity Share, then the Remuneration/Compensation Committee may make a fair and reasonable adjustment to the number of outstanding Options and/or to the Exercise Price.

Similarly, if the Company takes any action, which in the opinion of the Remuneration/Compensation Committee requires any adjustment to the number of outstanding Options and/or the Exercise Price, then the Remuneration/Compensation Committee, may make a fair and reasonable adjustment to the number of outstanding Options and/or to the Exercise Price.

The Options granted herewith shall not be affected by any takeover by/of, merger with, or amalgamation of any other entity with the Company or in the event of restructuring of the capital of the Company. In such an event, the Remuneration/Compensation Committee would have the authority to alter all or any of the terms relating to the Grant and would also have the authority to do all such acts and deeds as it may deem fit in its absolute discretion and as permitted under the Applicable Law, so to ensure that the benefits under the Grant are passed on to the Eligible Employees.

4. Administration

- 4.1** The ESOS - V shall be administered by the Remuneration/Compensation Committee. All questions of interpretation of the ESOS - V or any Employee Stock Option shall be determined by the Remuneration/Compensation Committee and such determination shall be final and binding upon all persons having an interest in the ESOS - V or such Employee Stock Option.
- 4.2** Subject to the terms of the resolution passed by the shareholders of the Company as set out in the Postal Ballot Notice dated 26th October, 2007, the results of which were declared on 4th December, 2007, approving the introduction of ESOS - V and issue of Shares to the Employees under an ESOS and the Applicable Laws, the Remuneration/Compensation Committee in its absolute discretion has been authorised to determine all the terms governing the ESOS including but not limited to: -
- (a) determining the Eligible Employees to whom the Options are to be granted;
 - (b) the time when the Options are to be granted;
 - (c) the number of tranches in which the Options are to be granted and the number of Options to be granted in each such tranche;
 - (d) the quantum of Employee Stock Options to be granted at various points in time under the ESOS - V per Employee, subject to the ceiling as specified in Para 3.1;

- (e) the number of Options to be granted to each Employee;
- (f) the circumstances, other than those specified in Clause 7, under which the Options granted to an Eligible Employee would lapse;
- (g) the terms and conditions subject to which the Options granted would vest in the Employee;
- (h) the Schedule for Vesting of Employee Stock Options;
- (i) the conditions under which the Employee Stock Option vested in Employees may lapse in case of termination of employment for misconduct;
- (j) 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 taking into consideration the following:-
 - (i) The number of options and the price of ESOS shall be adjusted in a manner such that total value of the ESOS remains the same after the corporate action;
 - (ii) For this purpose, best global practices in this area including the procedures followed by the derivative markets in India and abroad shall be considered; and
 - (iii) The Vesting period and the life of options shall be left unaltered as far as possible to protect the rights of the Option Grantee.
- (k) the procedure and terms for the Grant, Vesting and Exercise of Employee Stock Option in case of Employees who are on long leave;
- (l) the procedure for cashless exercise of Employee Stock Options, if required;
- (m) approve forms, writings and/or agreements for use in pursuance of the ESOS - V; and
- (n) frame any other byelaws, rules or procedures as it may deem fit for administering ESOS - V.

The Board has also framed, policies and systems for the purpose of ensuring 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.

5. Eligibility and Applicability

- 5.1 Only Employees as defined hereinbefore are eligible for being granted Employee Stock Options under ESOS - V. The appraisal process for determining the Eligible Employees would be specified by the Remuneration/Compensation Committee and will be based on the criteria such as the grade of the Employee, number of years' service, performance record, merit of the Employee, future potential contribution by the Employee and /or any such other criteria that may be determined by the Remuneration/Compensation Committee in its sole discretion from time to time.
- 5.2 The Scheme shall be applicable to the Company, its present and future subsidiary company (ies), and may be granted to the Employees and Managing Director and Whole time and other directors of the Company and its present and future subsidiaries, as determined by the Remuneration/Compensation Committee in its discretion from time to time.

However, the following Employees shall not be eligible to participate in the ESOS V, and would not be eligible for grant of Options:-

- (i) An Employee who is a Promoter or belongs to a Promoter Group; and
 - (ii) A Director who either by himself or through his relative or through any body corporate, directly or indirectly, holds more than 10% of the outstanding shares of the Company.
- 5.3 Unless otherwise provided by the Remuneration/Compensation 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 Plan, the Letter of Grant and the Agreement, if any, approved by the Remuneration/Compensation Committee and entered into between the Company and the Employee.
 - 5.4 Grant of Employee Stock Options may be evidenced by the Employee Stock Option Agreement in such form, as the Remuneration/Compensation Committee shall from time to time determine. Such Agreement, if any, shall be deemed to incorporate all of the terms of the ESOS - V, as if the same were set out therein.

6. Vesting of the Options Granted

Options granted under the ESOS - V would vest, in one or more tranches, after 1 year and not later than 5 years from the date of Grant of such Options, as may be specified in the Letter of Grant. Vesting of Options would be subject to continued employment with the Company and/or its subsidiary, and thus the Options would vest on passage of time. In addition to this, the Remuneration/Compensation Committee may also specify certain performance parameters subject to which the options would vest. The specific Vesting schedule and conditions subject to which Vesting would take place would be outlined in the Letter of Grant given to the Option Grantee at the time of Grant of Options.

7. Procedure of Exercising

- a) The Options which are Vested in an employee may be exercised by him/her subject to the conditions, if any, prescribed by the Remuneration/Compensation Committee and in such manner as may be specified in the Letter of Grant.

In case of termination of the services of the Employee due to resignation, the Options granted but not vested in him/her shall automatically lapse forthwith on submission of the resignation by the Eligible Employee. However, the Options Vested as on the date of resignation but not exercised by an Eligible Employee who has resigned from the services of the Company, or, as the case may be, subsidiary company(ies), could be exercised by such Employee.

- b) An Employee wishing to exercise the Options vested in him/her shall submit an application in the specified format to the Company.
- c) In case the Employee wishes to exercise the Options, the Employee shall submit the application form to the Company along with a cheque/demand draft for the Exercise Price being the number of Options exercised multiplied by the Exercise Price per Equity Share as indicated in the Letter of Grant. Such cheque/demand draft should be drawn in favour of "Motilal Oswal Financial Services Limited".
- d) Subject to the provisions of the Scheme, the Options vested in the Employees shall be exercised by him/her within a period of 12 months from the date when such Options becomes exercisable as mentioned in Clause (a) above or such other extended period as may be decided by the Remuneration/Compensation Committee and the Options remaining so unexercised thereafter, shall lapse.

For all Options exercised during a calendar month, the Board (which term shall be deemed to include any Committee which the Board may have may constituted or hereinafter constitute to allot the

shares on exercise of Stock Options) shall issue and allot the relevant number of Equity Shares within 15 days from the end of the month in which the Options are exercised and shall thereafter either deliver share certificates to the concerned employees for the relevant number of Equity Shares or credit the relevant number of Equity Shares to their designated depository account. The aforesaid period of 15 days would be subject to review by the Remuneration/Compensation Committee from time to time.

- e) In the event of termination of the employment of an Option Grantee due to misconduct including breach of policies of the Company and its subsidiary company(ies), or the terms of employment, 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 breach; the date of such breach shall be determined by the Remuneration/Compensation Committee, and its decision on this issue shall be final and binding.
- f) Notwithstanding anything contained in (d) above, in the event of separation from employment for reasons of normal retirement or a retirement specifically approved by the Company or its subsidiary company(ies), as the case may be: -
 - i. all Vested Options should be exercised by the Option Grantee immediately after retirement, but in no event later than 12 months from the date of such Option Grantee's retirement; and
 - ii. all Unvested Options will lapse as on the date of such retirement, unless otherwise determined by the Remuneration/Compensation Committee whose determination will be final and binding.
- g) Notwithstanding anything contained herein, in case of death or permanent disability of any Eligible Employee whilst in service of the Company, the Options granted but not vested in that Eligible Employee shall vest in the person(s) nominated by such Eligible Employee in case of death and in the Eligible Employee himself/herself in case of permanent disability. These Options shall vest immediately and shall be exercised by the nominee(s)/Eligible Employee in accordance with the Scheme or such other extended period as may be decided by the Remuneration/Compensation Committee. The nomination shall be made in the form prescribed by the Company for this purpose. The decision whether or not an Eligible Employee is permanently disabled will be taken by the Remuneration/Compensation Committee and such decision shall be final and binding on such Employee.

- h) In case of the death of any Eligible Employee who has not nominated any person(s), the Options will vest in and shall be exercised by the successor(s) of such Eligible Employee in accordance with the provisions of the Scheme, provided however that the successor(s) shall be required to produce to the Company all such documents as may be required by the Company to prove the succession to the assets of the deceased Eligible Employee. In case the proof of the succession is not produced to the Company within one year from the date of death of the Eligible Employee or such further time as the Remuneration/Compensation Committee may permit in its absolute discretion, the Options shall lapse.
- i) In the event of abandonment of employment by an Option Grantee without the consent of the Company or its subsidiary company (ies), as the case may be, 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.
- j) In case an Eligible Employee has been suspended or in case of an Eligible Employee against whom an enquiry is being conducted for any reason, all Options shall stand suspended and shall not vest nor shall be exercisable until the enquiry is completed. If the Eligible Employee is found guilty of misconduct under any such enquiry, the provisions of sub-clause (k) below shall apply.
- k) The Remuneration/Compensation Committee, at its sole discretion shall decide the date of abandonment by an Employee and such decision shall be final and binding on all concerned.

8. Other Terms and Conditions

- 8.1 The Employee shall not have a right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of Employee Stock Options granted, till Shares underlying such Employee Stock Options are allotted on Exercise of such Employee Stock Option.
- 8.2 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 number of options or the Exercise Price, or both, may be adjusted in terms of Clause 4.2.
- 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(g) 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, in which case Clause 7(g) would apply.
- 8.5 The Employee Stock Option shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner whatsoever.

9. **Taxation**

The Company shall have the right to deduct from the employee's salary, any of the employee'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 tax deduction obligations, if any, have been satisfied in respect of/by the Option Grantee.

The Tax implications on Employees' Stock Options pertaining to Fringe Benefit Tax and all other taxes as per the provisions of the Income tax Act, 1961 and applicable laws would be borne and paid entirely by the Option Grantee. The Company shall recover any tax payable or paid of whatsoever nature, which may arise through the Grant, Vesting and/or Exercise of these Stock Options to the Option Grantee.

10. **Authority to vary terms**

The Board or the Remuneration/Compensation Committee may, if it deems necessary, vary the terms of ESOS - V, subject to compliance with the applicable laws.

11. **Miscellaneous**

11.1 **Government Regulations**

This ESOS - V shall be subject to all Applicable Laws and approvals from governmental authorities.

11.2 **Inability to obtain Authority/Approval**

The inability of the Company to obtain approval or authority from any regulatory body having jurisdiction, or under any Applicable Laws for the lawful issuance, grant and sale of any Option/Shares hereunder shall relieve and wholly discharge the Company of any and all liability in respect of the failure to issue, grant or sell such Option/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 and the Company or its subsidiary or company(ies), 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 Plan nor the fact that an individual has on any occasion been granted an Employee Stock Option shall give such individual or any other individual any right, entitlement or expectation that he has or will in future have any such right, entitlement or expectation to participate in this Plan by being granted an Employee Stock Option on any occasion.
- 11.5** The rights granted to an Option Grantee upon the Grant of an Employee Stock Option shall not entitle 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 or its subsidiary company(ies), as the case may be, 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/she may suffer by reason of being unable to Exercise an Employee Stock Option in whole or in part.

12. Notices

All notices of communication required to be given by the Company to an Option Grantee by virtue of this ESOS - V 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 the ESOS - V shall be sent to the address mentioned below or such other address as may be notified from time to time:

Motilal Oswal Financial Services Limited
Palm Spring Centre, 2nd Floor, Palm Court Complex,
New Link Road, Malad (West),
Mumbai-400 064.

14. Governing Law and Jurisdiction

- 14.1** The terms and conditions of the ESOS - V shall be governed by and construed in accordance with the laws of India.
- 14.2** The Courts of Mumbai, India shall have jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of this ESOS - V.
- 14.3** Nothing in this Clause will however limit the right of the Company to bring proceedings against any Employee in connection with this ESOS - V:

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

15. Income Tax Rules

The Income Tax Laws and Rules in force will be applicable.

16. Variation of Terms of ESOS - V

The Company may by a special resolution vary the terms of the ESOS - V in respect of the Options which have yet not been exercised by the Employees provided such variation is not prejudicial to the interest of the Option Grantee.

Further, the Company may re-price the Options which have yet not been exercised by the Employees if the Options are rendered unattractive due to fall in the price of the Shares of the Company.

The Company will not vary the terms of the ESOS - V in any manner which may be detrimental to the interests of the Employee.

17. Compliance

The provisions of the ESOS - V comply with SEBI Guidelines, and are always intended to be in line with the SEBI Guidelines. In the event any of the provision of the ESOS conflict with the SEBI Guidelines, the provisions contained in the SEBI Guidelines will prevail.

18. Representation

The Company does not make any representation regarding the performance of the Company or the future value of the Equity Shares. Each Employee should take the decision to Exercise the Options Granted to him/her after considering all the provisions of this ESOS - V and other relevant factors.

This represents the complete **Scheme** for **ESOS - V**.