

MosChip Stock Option Plan – 2008(DIRECTOR)

MOSCHIP STOCK OPTION PLAN – 2008 (DIRECTOR)

1. Short Title and Commencement

This plan is prepared in accordance with the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines 1999 (hereinafter called Guidelines) in vogue.

This plan is called as "MOSCHIP STOCK OPTION PLAN – 2008(DIRECTOR)" and will commence from 29th August 2008 on getting consent from the shareholders in the Ninth Annual General Meeting scheduled to be held on 29th August 2008.

2. Object of the Plan

2.1.1 The need for the best Stock Option Plan is felt in the environs of highly competing markets.

2.1.2 The object of the plan is fairly compensate the Directors of the Company to enable them to take fair decisions to benefit the long-term growth of the company and to seek the convergence of interest of shareholders such that the Directors consciously work towards value creation for the shareholders.

3. Definitions

In this Plan the following expressions shall have wherever the context permits the following meanings, unless otherwise defined in the Guidelines. The words denoting the masculine genders shall include the feminine; words denoting the singular shall include the plural and *vice versa*.

3.1 "The Plan" means MOSCHIP STOCK OPTION PLAN – 2008(DIRECTOR).

3.2 "The Company" means MOSCHIP SEMICONDUCTOR TECHNOLOGY LIMITED.

3.3 "Committee" means the Compensation Committee of the Board constituted in accordance with the Guidelines.

3.4 "Shares" means Equity Shares of Rs.10/- each of the Company and securities convertible into equity shares and shall include American Depository Receipts (ADRs), Global Depository Receipts (GDRs) or other depository receipts representing underlying equity shares or securities convertible into equity shares.

3.5 "Option(s)" means a right but not an obligation granted by the Committee to purchase a share of the Company at a pre-determined price for a certain number of years into the future, in accordance with the terms of this Plan.

MosChip Stock Option Plan – 2008(DIRECTOR)

- 3.6 "Director(s)" means any director(s) of the Company working in India or out of India (present and future):
- 3.7 "Selected Director" means any Director selected by the Committee to receive an offer of options in accordance with the terms of this Plan.
- 3.8 "Grantee" means any selected director who has accepted an offer of options in accordance with the terms of this Plan or, where the context permits, a person becoming entitled to the shares in consequence of the death or permanent incapacity while in directorship, of the original grantee;
- 3.9 "The Board" means the Board of Directors of the Company or any directors to whom all or any of the functions of the board under this Plan have for the time being delegated by resolution of the board;
- 3.10 "Exercise" means making of an application by the director to the company for issue shares against option vested in him in pursuance of the Plan.
- 3.11 "Exercise Period" means the time period after vesting within which the director should exercise his right to apply for shares against the option vested in him in pursuance of the Plan.
- 3.12 "Exercise Price" means the price payable by the director for exercising the option granted to him in pursuance of the Plan.
- 3.13 "Grant" means issue of option to the directors under the Plan.
- 3.14 "Market Price" of a share means the closing price of the Shares of the Company on a day preceding the date of grant of options on Bombay Stock Exchange Limited.
- 3.15 "Promoter(s)" means the person or persons who are in over-all control of the company; 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; 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.

Where a Promoter is a body corporate, the promoters of that body corporate shall also be deemed to be Promoters of the Company

- 3.16 "Promoter Group" means 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); persons whose shareholding is aggregated for the purpose of disclosing in the offer document "shareholding of the Promoter Group".

MosChip Stock Option Plan – 2008(DIRECTOR)

3.17 "Vesting" means the process by which the director is given the right to apply for shares of the company against the option granted to him in pursuance of the Plan.

3.18 "Vesting Period" means the period during which the vesting of the option granted to the director in pursuance of the Plan.

4. Eligibility to participate in the Plan

4.01 A Director shall be eligible to participate in the Plan.

4.02 A Director who is a Promoter or belongs to the Promoter Group shall not be eligible to participate in the Plan.

4.03 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 equity shares of the Company shall not be eligible to participate in the Plan.

5. Constitution of Compensation Committee

5.01 The Board shall constitute a Committee called Compensation Committee for administration and superintendence of the Plan. If there exists already a Compensation Committee, it shall be responsible for administration and superintendence of the Plan.

5.02 The composition of the Committee shall be such majority of the members is independent directors.

5.03 The Committee is vested with the powers to formulate detailed terms and conditions of the Plan within the parameters of the approval granted by the Shareholders in the Annual General Meeting, which, *interalia*, includes:

- a) The quantum of Option to be granted under the plan to each Director and in aggregate.
- b) The Exercise Period within which the Director should exercise the option and that option would lapse on failure to Exercise the Option within the Exercise Period.
- c) The specified time period within which the Directors shall Exercise the Vested Options in the event of resignation from the Board.
- d) The right of a Director to exercise all the options vested in him at one time or at various points of time within the Exercise Period.
- e) The procedure for making a fair and reasonable adjustment to the number of Options and to the Exercise Price in case of rights issues, bonus issues and other corporate actions;

MosChip Stock Option Plan – 2008(DIRECTOR)

- f) The procedure for cashless exercise of Options; and
- g) To frame suitable policies and systems to ensure that there is no violation by any Director of: -
 - 1. Securities and Exchange Board of India (Insider Trading) Regulations, 1992; and
 - 2. Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995

6. Total Number of Options to be granted

Total of 10,00,000 options for the Company would be available for being granted under the plan.

7. Vesting of Options.

- 7.01 The Vesting Period shall commence after twelve months from the date of Grant of the Option. The share options could be granted in tranches and could vest in tranches as per the discretion of the Board / Committee.
- 7.02 The maximum period within which the Options to be vested shall be two years from the date of Grant.

8. Exercise of Options

- 8.01 The shares would be issued to the eligible Directors at the Exercise Price.
- 8.02 The Exercise price for each option shall be determined by the Administrator at the time of grant of options based on the market price or such other prices as it may deem fit, from time to time.

Provided that in no case shall, the per share exercise price of an option be less than the face value on the date of grant.

- 8.03 The Directors shall exercise their options within 5 years from the date of Vesting or such other period fixed by the Board / Committee.
- 8.04 The Directors can exercise the options by submitting an application in the prescribed format after which the shares would be allotted. Options not exercised within the specified period will lapse. All options that are lapsed will be added back to the pool and are eligible for future grants to the directors.

MosChip Stock Option Plan – 2008(DIRECTOR)

8.05 The amount payable by the director, if any, at the time of Grant of Option may be forfeited by the Company if the option is not exercised by the director within the Exercise Period; or the amount may be refunded to the director if the options are not vested due to non-fulfillment of condition relating to Vesting of Option as per the Plan.

9. Eligibility Determination for grant of options

The eligibility would depend on the period for which the office of Director is held by him and such other factors as the Compensation Committee may think appropriate. The Compensation Committee at its discretion may extend the benefits of the Scheme to a new entrant also.

10. Maximum number of options to be issued under the Plan

10.1 No director shall during any fiscal year of the Company, be granted Options equal to or exceeding 1% of the issued share capital of the Company existing at the time of grant of option.

10.2 The overall Options to be granted in this plan shall be limited to 10 (Ten) Lakhs only.

11. Miscellaneous

11.01 The shares issued upon Exercise of the Options shall rank *pari passu* in all respects with the existing equity shares.

11.02 Each Option granted to eligible directors shall be entitled to one equity share of nominal value of Rs.10/- each at a fair market price.

11.03 The consideration for the shares to be issued upon exercise of an option, may be as determined by the Committee which *inter alia* consists of

- a) Cash
- b) Cheque
- c) As per Cashless exercise programme
- d) Any combination of the above stated methods of payment.

11.04 The Company shall conform to the accounting policies mandated by applicable law and Regulations of Securities Exchange Board of India or any other relevant regulation as is applicable to the account of such options. It's being the only mandatory accounting policy on ESOS, Schedule I of Guidelines depicting Accounting policies for ESOS, shall form the part of this Plan and placed as an Annexure – A. Valuation of Options under the Plan are as per Intrinsic Value Method.

MosChip Stock Option Plan – 2008(DIRECTOR)

- 11.05 Subject to the approval of stock exchange, the relevant equity shares on Exercise of the Options shall be listed on the stock exchange.
- 11.06 The Board / Compensation Committee shall have absolute discretion from time to time to modify or substitute any such terms or if it thinks fit, not to undertake or proceed with the implementation of Plan in whole or in part, provided such modifications and alterations are not detrimental to the directors and consented by the shareholders in the general meeting accordingly.
- 11.07 The Director shall not have right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of option granted to him, till shares are issued on exercise of option.
- 11.08 If in individual cases or particular circumstances, the provisions of this Plan are found to cause hardship or otherwise give rise to difficulty, the Board / Compensation Committee are authorised to settle all questions, difficulties or doubts by using their discretion to ensure that such cases and circumstances are dealt with in accordance with the general spirit underlying the Plan and reserves the necessary powers for that purpose. The decision of the Board / Compensation Committee in such cases shall be final and binding. However this requires the consent of Shareholders in the general meeting in conformity with the guidelines.

12. Non-transferability of option

- 12.01 All the Options granted to the director(s) are non-transferable.
- 12.02 Only the Director to whom the option is granted shall be entitled to exercise the option.
- 12.03 Under the cashless system of exercise if adopted by the company, the company may itself fund or permit the empanelled stockbrokers to fund the payment of exercise price, which shall be adjusted against the sale proceeds of some or all the shares, subject to the provisions of the Companies Act, 1956.
- 12.04 The options granted to the directors shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.
- 12.05 In the event of death of director while in directorship of the Company, all the option granted to him till such date shall vest in the legal heirs or nominees of the deceased director and shall be exercised within 6 months thereof.
- 12.06 In case the director suffers a permanent incapacity while in employment, all the option granted to him as on the date of permanent incapacitation, shall vest in him on that day and shall be exercised within six months thereof.

MosChip Stock Option Plan – 2008(DIRECTOR)

12.07 In the case of the director tendering his resignation, all the options vested in him as on the date of resignation shall be exercised within 30 (thirty) days from the date of resignation.

13. Validity of the Plan

The Plan is valid and the options can be issued to the Directors under the Plan only on the approval of the Shareholders by passing a Special Resolution in the general meeting and will be in operation till such time all options under the plan are exercised.

14. Treatment of Lapsed Options

All options that are lapsed in accordance with the provisions of the Plan shall revert to Plan and are available for granting under the provisions of the Plan.

15. Surrender of Options

15.01 Director may surrender his vested / unvested options at any time during his directorship with the company.

15.02 Any Director willing to surrender his options shall communicate the same to the Administrator in the prescribed Form A. Thereafter the surrendered options shall expire and stand terminated with effect from the date of surrender of options. Such options will be added back to the pool for future grants.

16. Tax Liability

In the event of tax liability arising out on account of the issue of Options and/or allotment of the shares to the director, the liability shall be that of the director alone. The Director shall indemnify the Company against any tax including Fringe Benefit Tax or other liabilities.

All tax liabilities arising on disposal of the shares after exercise would require to be handled by the director.

In the event of any tax liability arising on account of the MOSCHIP STOCK OPTION PLAN – 2008(DIRECTOR), the Company shall have the right to cause the shares held by the director under the MOSCHIP STOCK OPTION PLAN – 2008(DIRECTOR), to be sold or otherwise alienated to meet the liability on behalf of the director.

17. Notwithstanding anything contained above in the Plan, the Plan in entirety is subject to the provisions of SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme), Guidelines 1999 in vogue and any amendments made to it from time to time and any changes in the Plan warranted on account of amendments to the Guidelines made by SEBI or any other regulatory authority shall not require the approval of Shareholders afresh.
