

MOSCHIP STOCK OPTION PLAN – 2008

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" 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 To tap the market talent in the areas of Semiconductor;
- 2.1.3 To reward, motivate and retain the key performers of the company
- 2.1.4 The object of the Plan is to attract, retain and encourage the talented personnel and to enable such personnel to participate in the long-term growth of the company. Besides, to seek convergence of interest of shareholders and employees such that employees consciously work towards the 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.
- 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.

MosChip Stock Option Plan – 2008

- 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.
- 3.6 "Employee(s)" means any permanent employee(s) of the Company and its Subsidiaries working in India or out of India (present and future), including those on deputation at the instance of the Company and includes:
- 3.7 An employee of a Subsidiary, in India or out of India.
- 3.8 "Selected Employee" means any Employee selected by the Committee to receive an offer of options in accordance with the terms of this Plan.
- 3.9 "Grantee" means any selected employee 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 employment, of the original grantee;
- 3.10 "Cause" shall mean, as determined by the Compensation Committee (i) the continued failure of the Optionee to substantially perform his duties to the Employer Company (other than any such failure resulting from retirement, death or disability as provided below), (ii) the engaging by the Optionee in willful, reckless or grossly negligent misconduct which is determined by the Compensation Committee to be detrimental or otherwise, (iii) fraud, misfeasance, breach of trust or wrongful disclosure by the Optionee of any secret or confidential information about the Employer Company, (iv) the Optionee is found to be or becomes of unsound mind, (v) the Optionee commits any act of insolvency, (vi) The Optionee is convicted by Court of any offence, or (vii) the Optionee found to be involved in any activity of moral turpitude.
- 3.11 "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;
- 3.12 "Exercise" means making of an application by the employee to the company for issue shares against option vested in him in pursuance of the Plan.
- 3.13 "Exercise Period" means the time period after vesting within which the employee should exercise his right to apply for shares against the option vested in him in pursuance of the Plan.

MosChip Stock Option Plan – 2008

- 3.14 “Exercise Price” means the price payable by the employee for exercising the option granted to him in pursuance of the Plan.
- 3.15 “Grant” means issue of option to employees under the Plan.
- 3.16 “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.
- 3.17 “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

- 3.18 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”.
- 3.19 “Vesting” means the process by which the employee is given the right to apply for shares of the company against the option granted to him in pursuance of the Plan.
- 3.20 Vesting Period” means the period during which the vesting of the option granted to the employee in pursuance of the Plan.

4. Eligibility to participate in the Plan

- 4.01 An Employee shall be eligible to participate in the Plan.
- 4.02 An Employee 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

MosChip Stock Option Plan – 2008

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 Employee and in aggregate.
- b) The conditions under which Option vested in Employees may lapse in case of termination of employment for misconduct;
- c) The Exercise Period within which the employee should Exercise the Option and that Option would lapse on failure to Exercise the Option within the Exercise Period.
- d) The specified time period within which the Employees shall Exercise the Vested Options in the event of termination or resignation of an Employee.
- e) The right of an Employee to Exercise all the Options vested in him at one time or at various points of time within the Exercise Period.
- f) 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;
- g) The Grant, Vest and Exercise of Option in case of Employees who are on long leave;
- h) The procedure for cashless exercise of Options; and
- i) To frame suitable policies and systems to ensure that there is no violation by any Employee 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

MosChip Stock Option Plan – 2008

6. Total Number of Options to be granted

Basing on the estimated requirement for the next two to three years, total number of Options to be granted shall be Thirty lakhs 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 four years from the date of Grant.

8. Exercise of Options

8.01 The shares would be issued to the eligible Employees 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 employees shall Exercise their options within 5 years from the date of Vesting or such other period fixed by the Board / Committee.

8.04 The employees 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 employees.

8.05 The amount payable by the employee, if any, at the time of Grant of Option may be forfeited by the Company if the option is not exercised by the employee within the Exercise Period; or the amount may be refunded to the employee 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 Board / Committee will evolve the criteria for the eligibility of an employee for granting options under the Plan. The undermentioned are some of the parameters the Board / Committee might take into consideration in determining the eligibility of the employees for granting options.

MosChip Stock Option Plan – 2008

- a. Length of service
- b. Grade
- c. Performance
- d. Merit
- e. Future potential contribution
- f. Leadership qualities
- g. Qualification
- h. Conduct

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

- 10.01 No employee 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.
- 10.02 The overall Options to be granted in this plan shall be limited to 30 (Thirty) 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 employees 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.
- 11.05 Subject to the approval of stock exchanges, the relevant equity shares on Exercise of the Options shall be listed on the stock exchanges.

MosChip Stock Option Plan – 2008

- 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 employees and consented by the shareholders in the general meeting accordingly.
- 11.07 The Employee 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 employee (s) are non-transferable.
- 12.02 Only the employee 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 employee shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.
- 12.05 In the event of death of employee while in employment, all the option granted to him till such date shall vest in the legal heirs or nominees of the deceased employee.
- 12.06 In case the employee 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.
- 12.07 In case the employee terminates his employment with the company by tendering 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.
- 12.08 In the event of an Optionee ceasing to be in the service of the Employer, due to "Cause", or violates the terms and conditions of his employment in any manner, all

MosChip Stock Option Plan – 2008

options outstanding on the date of cessation of his employment, shall stand cancelled forthwith and that Optionee shall not be permitted to exercise any right in respect thereof.

13. Validity of the Plan

The Plan is valid and the options can be issued to the employees 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

- a. An employee may surrender his vested / unvested options at any time during his employment with the company.
- b. Any employee 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 employee, the liability shall be that of the employee alone. The employee 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 employee.

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

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.
