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IMPORTANCE OF ESOP'S IN NEW ERA

Benefits of ESOP's

Stabilisation of cash flow

The start up holds a chance to stabilise its cash flow during the vesting period, as they do not have to spend at the time of ESOP grant.

Employee Fascination

Offering ESOP to the employee will attract more employees to work for the company.

Pride of ownership

As employees are going to experience their options soon as the vesting period is over, they will have the pride of ownership of the company.

Permanent contract

A company offers ESOP to employees who are contributing more to their company. Offering ESOPs will bring confidence in Job security among employees.

TYPES OF ESOP'S

Employee Stock Option Scheme (ESOS)

Employee Stock Option Schemes are the most commonly used form for employee ownership. The option granted confers a right but not an obligation on the employee. Stock options are subject to vesting, requiring continued service over a specified period of time. Upon vesting of options, employees can exercise the options to get shares, by paying the pre-determined exercise price.

Employee Stock Purchase Plan (ESPP)

Employee Stock Purchase Plans allow Employee to purchase Company's shares, often at a discount from Fair Market Value. The terms of the Plan determines the tenure and price for possession of the Company's shares by the Employees. Usually, ESPPs are being framed for offering shares as a part of public issues.

Phantom Stocks / SAR

It is a form of long-term deferred compensation using Company shares as the measuring device for calculating the value of the deferred compensation. It simulates the Company shares in everything except that does not represent true ownership.

Restricted stock units (RSU)

RSUs are stocks of the employer, given to employee as mentioned in employee's compensation letter, without any contribution from employee. However, such allotment of shares come with certain restrictions, on the time frame to sell the same.

Types of ESOP's

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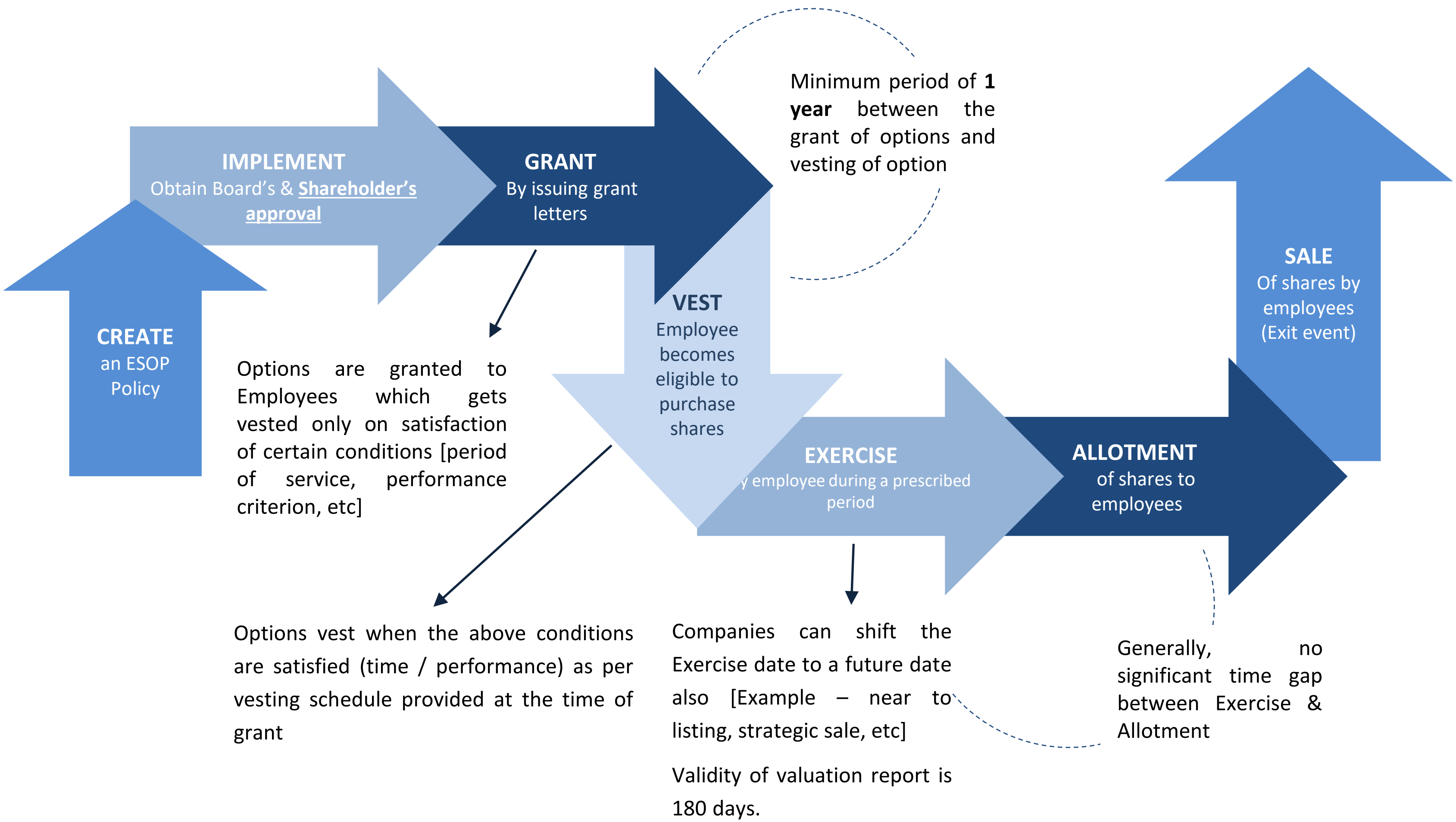
PERSON BARRED FROM RECEIVING ESOP'S & SAR

Following persons are barred from receiving ESOP's.

1. Promoters and the persons belonging to the Promoter group*
2. Directors who hold more than 10% of outstanding equity shares*
3. Independent Directors
4. Consultants & Retainers
5. Employees of Associate Companies (now permitted for listed companies)

SAR can be offered to any person, including the persons who are barred from receiving the compensation by way of ESOP's

ESOP LIFECYCLE



A BRIEF INTRODUCTION ON ESOP'S

- **"Employees' stock option"** means the option given to the directors, officers or employees of a company or of its holding company or subsidiary company or companies, if any, which gives such directors, officers or employees, the benefit or right to purchase, or to subscribe for, the shares of the company at a future date at a pre-determined price.

- Under the ESOPs, company grants an option to its employee to acquire equity shares of the company at a future date and at a predetermined price.

- There is no limit on the quantum of ESOPs to be issued to employees.

- ESOPs has 3 main elements:
  - The **number of shares** that can be bought is **pre-determined**.
  - The **price** at which shares can be bought is also **pre-determined** and
  - The right is available over a period of **time**.

SOME IMPORTANT TERMINOLOGIES IN ESOP

- **"Employee"** means:-
  a) a **permanent employee** of the company who has been working in India or outside India; or
  b) a **director of the company**, whether a whole-time director or not but **excluding an independent director**; or
  c) an employee as defined in clauses (a) or (b) of a subsidiary, in India or outside India, or of a holding company of the company

  but does not include-
  i. an employee who is a promoter or a person belonging to the **promoter group;** or
  ii. a director who either himself or through his relative or through any body corporate, directly or indirectly, **holds more than ten percent of the outstanding equity shares of the company.**

Provided that in the case of a startup company, the conditions mentioned in sub-clauses (i) and (ii) shall not apply upto ten years from the date of its incorporation or registration.

- **"Startup"** means (as per notification issued by Ministry of Commerce and Industry):

  An entity shall be considered as a Startup:
  i. Upto a period of ten years from the date of incorporation/ registration, if it is incorporated as a private limited company or registered as a partnership firm or a limited liability partnership in India.
  ii. Turnover of the entity for any of the financial years since incorporation/ registration has not exceeded Rs. 100 crore.
  iii. Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

Provided that an entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Startup'.

SOME IMPORTANT TERMINOLOGIES IN ESOP

- **“Exercise”** of ESOP means the exercise of right by an employee to purchase the shares underlying the ESOP vested in him, in pursuance of the ESOP.
- “**Exercise Period**” means the time period after vesting within which the employee should exercise his right to apply for shares against the options vested in him in pursuance of the ESOP.
- “**Exercise Price**” means the price payable by the employee for exercising the option granted to him in pursuance of ESOP.
- “**Grant**” means the issue of the options to employees to purchase the shares of the company under the ESOP scheme.
- “**Grant Date**” means the date fixed by the company, as the case may be, to be the date on which the scheme is offered to the employees.
- “**Option**” means a right but not an obligation granted to an employee to apply for shares at a predetermined price, by company in pursuance of the ESOP as approved by the resolution of the General Body Meeting, including any modification thereof subsequently, and governed by the terms and conditions mentioned in the Scheme.
- “**Vesting**” means the process by which the employee secures the right to apply for shares of the company against the options granted to him in pursuance of ESOP.
- “**Vesting Period**” means the period elapsed between the date of grant and the date of vesting of the option granted to the employee.

DO'S AND DON'TS OF ESOP

Do's of ESOP's

- **Employee Understanding:**
  - Employees should be aware of the T&C of the options granted to them. Alongside, they should also be aware of wealth creation can happen for them subject to their alignment with the Company's goal.
- **Thought through Program:**
  - ESOPs are a long-term instrument and a reward mechanism, so, once introduced is difficult to withdraw or materially change it.
  - This makes it imperative to meticulously plan prior to its introduction.
  - Aspects such as objectives planned to the achieved, long term dilution appetite, extent of coverage of employees need to be thought through.
- **Understand the Industry Best Practices and Market Trends:**
  - Stock Options have now become an integral part of compensation, especially at the senior management level.
  - Over the last couple of decades, since use of ESOPs has increased there is enough data available with respect to Option structures, terms and their impact on the business objectives.
  - It is important to understand the prevalent practices and experience in this regard.
- **Regular visit the program:**
  - The Company should revisit the plans at a regular frequency to ensure it is aligned to the Management Objectives, Applicable Laws and Rules as well as Industry Practices.
  - Usually the shareholder approvals provide for some flexibility to tweak the terms to re align with business realities.

DO'S AND DON'TS OF ESOP'S

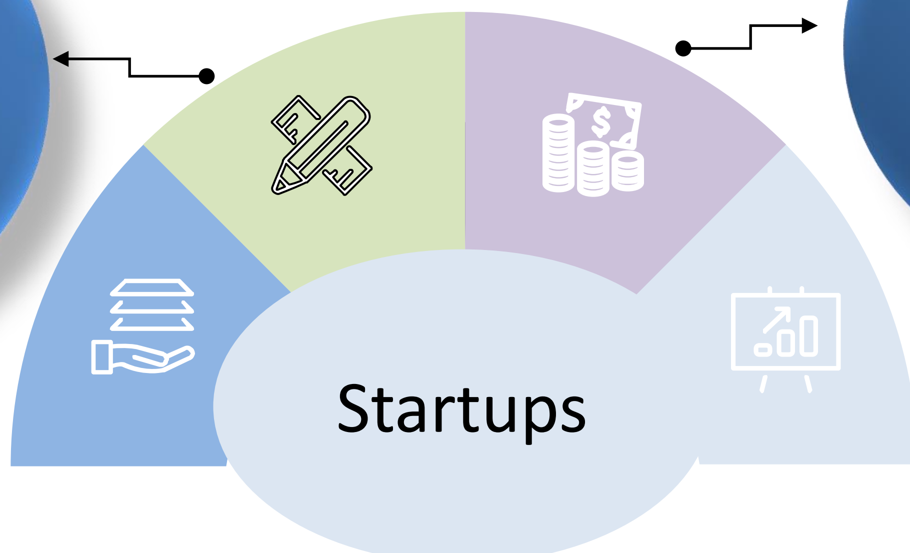
Don'ts of ESOP's

- **Terms of ESOP scheme not aligning the companies objective**
  - These programs should ideally be made to suit the requirement of the Company and the objective it is desirous of achieving.
  - Ad hocism of policy in terms of adding and deleting a category of employees, abrupt changing of terms, etc. should be avoided.
- **Commitment to Employees without having a Scheme**
  - The Company should not commit the employees before the Scheme is actually implemented.
  - For instance the grant quantum for a particular employee will depend upon the choice of instrument (ESOPs / RSUs / SARs) as well the wealth creation anticipated for that particular employee.
  - Making a commitment without finalizing the framework and having a scheme in place, may not give the Company flexibility which ideally it should have keeping the constraints in mind.
- **Valuation should not be farce**
  - Apart from the business performance, the valuation is also dependent on several external factors.
  - Companies should not venture into estimating and committing value appreciation whether formally or informally.
- **Mention of ESOPs in Appointment letters or employment contracts**
  - ESOPs are not Salary or other components of remuneration which are quantifiable and committed. Companies are not legally obligated to issue ESOPs year after year to the employee.
  - Even options granted may also have performance linked vesting which means even after Grant the benefit is not certain. Making it a part of Appointment letter or employment contract will convey the meaning that it is the employee's right to get ESOPs year after year.

WHAT ARE START UP COMPANIES?

Startups create new markets or completely transform old markets by introducing products, services, and ideas that change the world thereby becoming a boon for the economy.

India's start up count has exceeded 50,000 as recognized by DPIIT



Startup or start-up is a company or project undertaken by an entrepreneur to seek, develop, and validate a scalable business model.

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BIGGEST MISTAKES MADE BY START UPS WHILE ISSUING ESOP'S

Start up companies don't keep the following drawbacks of ESOP in mind while formulating a scheme

Complex: Employee Stock Option Plans (ESOP's) make the capital structure of the company very complex. Since the company already has obligations towards its employees, raising additional capital in the form of debt or equity becomes very difficult indeed.

No Lock-in period on vested shares: After exercising the shares by employees start-up may impose a lock-in period on sale of shares.

Start-ups shall not buy-back unvested options from employees.

No Clear Productivity Gains: There has been anecdotal evidence that Employee Stock Option Plans (ESOP's) drastically increase the morale and the productivity of the employees. However, there have been no facts which can conclusively prove this.

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HOW TO ISSUE ESOPs?

1. Convene a board meeting
2. Convene a general meeting
3. Grant of options
4. Vesting Period
5. Exercise of option by an employee
6. Allotment of shares to the employees

VESTING CONDITION AND METHOD OF OPTION'S VALUATION

What if employee leaves the company?

Vesting conditions

- Time based
- Performance based

Vested shares

- Can be exercised during the exercise period

Unvested shares

- Shall lapse on expiry

Valuation

- Valuation at the time of grant date by registered valuer.
- Annual valuation on year end by SEBI registered CAT 1 merchant banker (As per rule 3 of Income Tax Rules, 1962).
- Valuation report of merchant banker will be valid till 180 days.

VALUATION OF OPTIONS

At the year end/ at grant date

Valuation can be done by either a registered valuer or a merchant banker

At the time of allotment

Valuation is done by a merchant banker. As per rule 3 of Income Tax rules, such valuation report should be earlier than the date of the exercising of the option, but should not be a date which is more than 180 days earlier than the date of the exercising.

Income Tax

Legal & Procedural Aspects

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TOPICS COVERED

- ❖ The taxability of ESOP's is important because it has become a common practice to provide ESOP's in the corporate world. So, it is really necessary to understand the concepts of taxation in ESOP.
- ❖ Income tax coverage for employer:
  - Whether it is revenue or capital expenditure
  - Whether ESOP is allowable expenditure
  - TDS applicability
- ❖ Taxability for employees:
  - When does taxability arise:
    - ➢ At the time of allotment of shares
    - ➢ At the time of sale of such shares
- ❖ Tax reliefs for startups
- ❖ Introduction and taxability of SAR's / Phantom stock
- ❖ FAQ

TAX
TREATMENT FROM THE POINT OF EMPLOYER/ CORPORATES

INCOME TAX PROVISIONS FOR ESOP EXPENSES

Income tax provisions for allowing of ESOP expenditure

As such there is no clarity for treatment of ESOP expenditure in the Income tax act. Though, various case laws provide guidelines to treat the ESOP as expense over the vesting period of such shares as shown in the example below.

The case law of Biocon ltd. Provides that the expenditure relating to ESOP's is revenue in nature

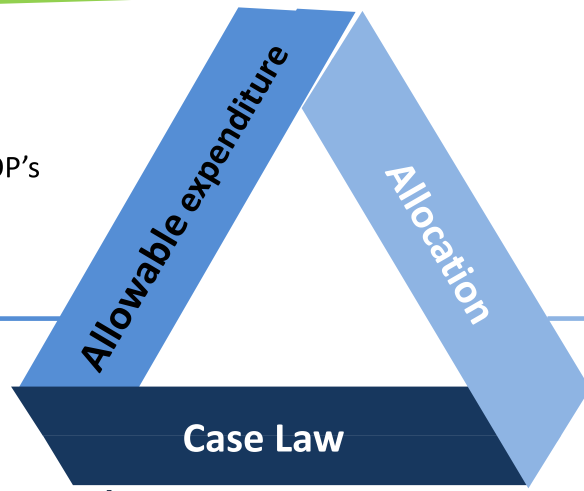
Example:
Fair market value: Rs.450
Exercise price: Rs.50
Vesting period: 4 years
Number of employees: 100

Now, expense to be allocated each other will be as follows:
(Rs.450 – Rs.50) X 100 employees/4 years = Rs.10,000
Expense to be recognized each year: Rs.10,000

The expenditure relating to ESOP's is provided over the vesting period of such shares

IMPORTANT CASE STUDIES OF BIOCON AND INFOSYS

Expenditure on allotment of ESOP’s is an allowable expenditure for income tax purpose.



Discount will be allocated over the vesting period of such options.

- **CIT vs. Biocon Ltd. (Karnataka High court) (2021):**
  Deduction of ESOP’s expenditure over the vesting period is in accordance with SEBI guidelines. Further, the primary object of issuance of shares at a discount to earn profits by securing consistent services of employees and therefore, same could not be construed as short receipt of capital. Thus, the same is allowable expenditure.

- **People Interactive India (P) Ltd (Mumbai ITAT) (2015):**
  Discount on issue of ESOP is in the nature of employees cost and hence deductible during the vesting period w.r.t the market price of share at the time of grant of options to the employees.

- **ACIT vs Aricent technologies Limited(Delhi ITAT)(2022)**
  Payment under the ESOP scheme wherein the reimbursement is paid to the parent company, towards ESOP to assessee’s employees is in the nature of employees compensation and hence is deductible.

JOURNAL ENTRIES IN BOOKS OF EMPLOYER

❖ For each year of vesting period:

Employee compensation expenses A/c	Dr.	XXX	
To Stock options Outstanding A/c			XXX

(Being compensation expense recognized in respect of the ESOP)

Profit & Loss A/c	Dr.	XXX	
To Employee compensation expense A/c			XXX

(Being transfer of employee compensation expense to profit & loss a/c for current year)

❖ At the time of Allotment of share:

Bank A/c	Dr.	XXX	
Stock option outstanding A/c	Dr.	XXX	
To Share capital A/c			XXX
To securities premium A/c			XXX

(Being shares issued to the employees against the options vested in them in pursuance of the Employee Stock Option Plan)

Stock option outstanding A/c	Dr.	XXX	
To General Reserve			XXX

(Being the balance standing to the credit of the Stock Options Outstanding Account, in respect of vested options expired unexercised, transferred to the general reserve)

TAX TO BE WITHHELD BY CORPORATES (TDS)

Deductibility by employer

TDS will be deducted u/s 192 of the Act on total salary of employee including value of taxable perquisites.

Time for TDS deductibility

TDS will be deducted at the time of allotment of shares.

Value of Taxable perquisite

Difference between the FMV (exercise date) and exercise price will be considered as taxable perquisite and to be included in the salary of employee.

INCOME TAX PROVISIONS FOR ESOP EXPENSES

Vesting period
4 Years

Exercise price
Rs. 20

YEAR 0

FMV = 120

YEAR 1

FMV = 220

Then total expenses of ESOP will be 200 (220-20)
Allocated expenses for the year = 200/4= **50**

YEAR 2

FMV = 420

Then total expenses of ESOP will be 400 (420-20)
Expenses for the year = 400/4=100
100*2 = 200-50 =**150**
Aggregate expenses claimed = 150+50=200

YEAR 3

FMV = 1020

Then total expenses of ESOP will be 1000 (1020-20)
Expenses for the year=1000/4=250
250*3 = 750-200 = **550**
Aggregate expenses claimed = 550+200=750

YEAR 4

FMV = 2020

Then total expenses of ESOP will be 2000 (2020-20)
Expenses for the year = 2000-750 = **1250**
Aggregate expenses claimed = 1250+750=2000

ALLOTMENT & TDS

FMV = 2520

Then total expenses of ESOP will be 2500 (2520-20)
Allocated expenses for the year = 2500-2000=**500**
Aggregate expenses claimed = 2000+500=2500

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TAX TREATMENT IN THE HANDS OF EMPLOYEES/RECIPIENTS

TAX TREATMENT FOR ESOP RECIPIENTS

Tax Treatment

In the hands of Employees

At the time of Allotment

Taxable perquisite value:
Fair market value of shares on exercise date (-) exercise price

At the time of sale of shares

Taxable value:
Sales consideration (-) Fair market value of shares taken at time of allotment

Refer next slide

TAX TREATMENT FOR ESOP RECIPIENTS

Tax Rates in Hands of Employees

Listed Security

- **Long term** (If holding period is 12 months or more*)
  - Taxable @10% u/s 112A in excess of Rs. 1 lakh
- **Short term** (If holding period is less than 12 months*)
  - Taxable @15% u/s 111A

Unlisted Security

- **Long term** (If holding period is 24 months or more*)
  - Taxable @ 20% (After Indexation) u/s 112
- **Short term** (If holding period is less than 24 months*)
  - Taxable as per prevailing slab rate

Note:

*Period of holding shall be calculated from date of allotment of shares [Explanation 1 to Section 2(42A)]
Further, in case non-resident employees taxability at the time of sale of shares are subject to tax treaties.

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TAX TREATMENT FOR ESOP RECIPIENTS

No taxability on grant date

Date of Grant

FMV = 120

FMV = 2020

Date of Vesting

No taxability on completion of vesting period

Taxable as perquisites.
Value of Perquisites= 2520-20 = 2500
Rs. 20 is exercise price

Date of allotment

FMV = 2520

FMV = 5000

Date of sale

Gain on sale of shares will be taxable under head capital gain.
Value of Gain = 5000-2520 = 2480

WHAT IF EMPLOYEE SURRENDERS HIS RIGHT UNDER ESOP AND RECEIVES CASH PAYOUT?

If employee surrender his right and receive cash payout instead of shares (subject to condition of ESOP's scheme)

Things to be kept in mind in such a scenario are:

- Taxability under the head of salary arises only when the shares are allotted or transferred upon exercise of ESOPs. Hence, if the ESOPs are surrendered, the same will not come within the purview of section 17(2)(vi) of the Act and hence will not be taxable under the head salary.
- On the other hand, rights granted under ESOP are treated as capital asset under section 2(14) of the act. Thus, proceeds arising on surrendering of such rights to the company would be taxable as "capital gains" in the hands of employees.
- Various judicial precedents are available on this view – (a) Bangalore Tribunal: Giridhar Krishna M vs ACIT [2008] 117 TTJ 965 (b) Delhi Tribunal – Kamlesh Bahedia Vs ACIT [2014] 151 ITD 495.
- Holding period of such capital asset shall be deemed from the date of grant of options.

TAX INCENTIVES FOR START UP

DEFINITION OF START-UP AS PER INCOME TAX ACT

- **"Startup"** means (as per section 80-IAC of Income Tax Act, 1961):

  a) it is **incorporated** on or after the **1st day of April, 2016** but before the **1st day of April, 2022**;

  b) the total turnover of its business does not exceed **INR 100 crore** during the year and

  c) it holds **a certificate of eligible business** from the Inter-Ministerial Board of Certification as notified in the official Gazette by the Central Government ;

START UP TAX BENEFITS

80IAC offers exemption to start-ups which were incorporated between April 1,2016 till 31st March,2022. Budget 2021 had further extended the eligibility to 31st March, 2022.

Such start ups will be eligible for getting 100% tax rebate on profit for a period of 3 consecutive years in a block of 7 years provided that the annual turnover does not exceed Rs.25 Cr. in any FY.

SPECIAL TAX INCENTIVE ON ESOP'S FOR START UPS FOR DEFERMENT OF TDS

Background

When employees exercised their employee stock options (ESOPs) and collected shares, they were subjected to income tax on the entire value of the shares (less price paid for exercise). These startup shares, often illiquid, could potentially be worth something in the future (or not), but the tax liability was certain and immediate.

Amendments in the Budget in 2020

The Budget announced a slew of measures for the benefit of the Indian start-up sector. As part of that, the Government deferred the payment of income tax on ESOPs at the time of exercise of ESOPs. Now, the tax liability arises within 14 days from any of the following events, whichever is the earliest:

- ❑ After the expiry of 48 months from the end of the relevant assessment year in which the options are exercised; or
- ❑ From the date of the sale of such ESOP shares by the assessee; or
- ❑ From the date of the taxpayer ceasing to be an employee of the ESOP allotting employer.

INTRODUCTION TO PHANTOM STOCKS AND IT'S TAXABILITY

WHAT ARE STOCK APPRECIATION RIGHTS (SAR's)/ PHANTOM STOCK?

Phantom stock/ SAR is a type compensation which linked to company's stock price

Recipient entitled to receive benefit of the increase or appreciation in value of company's stock price

SAR's is an alternative mode which helps the organization to retains the employees

Payment of SAR can be made in cash/ in form of equity shares or a combination of cash and equity

* The grant price is usually the fair market value of stock on the date the rights were exercised.

TAX TREATMENT FOR EMPLOYER IN CASE OF SAR

EMPLOYEES

Allowable expenditure

Payment made on account of exercise of SAR is an allowable expenditure for income tax purpose.

Allocation

SAR expenses can be allocated on cash basis/ accrual basis will be discussed on next slide.

Judicial precedents

- M/s Religare Finvest Ltd. vs. Addl. CIT (ITAT, Delhi) (2020):
- Religare Commodities Ltd. Vs ACIT (Delhi ITAT) (2017):
- Religare Securities Ltd. Vs DCIT (ITAT, Delhi) (2020):

TAX TREATMENT OF CORPORATE FOR PAYMENT OF SAR

OTHER THAN EMPLOYEES

Tax treatment in case of the SAR's are being offered to:

- Consultants
- Employees sent abroad / onsite
- Any person **other than employees**

Viability of Tax position

Accrual Basis:

In such scenarios, there is no such clear guidelines under the provisions of income tax act.

Officer may disallow the expenses since no actual payment have been made and the said expense on provision basis.

Cash Basis:

In this case the Officer may disallow entire expenses in the year of exercising and may consider the major part as prior period expense.

Important pointer to be kept in mind:

- Payee will raise invoice for services rendered for that Financial year only.
- Payee can't indicate that this belongs to any earlier years and on account of ESOP scheme
- Taxation in the hand of payee depend on tax planning in the hand of said individual.

POSSIBLE SCENARIO IN CASE OF EMPLOYEE ASSIGNED OUTSIDE INDIA/ ABROAD

Suppose, vesting period of initial ESOP scheme is 4 years

ABC India

Employee worked 2 Years in India

Transfer to USA/ Abroad

ABC USA
(Unrelated Entity)

Employee worked 2 years in USA.

In this scenario, ABC India will cancel the ESOP arrangement of particular employee at time of leaving for abroad and in lieu of the ESOP scheme ABC India may give him SAR/ Phantom stock of equivalent amount for remaining vesting period of 2 years.

POSSIBLE SCENARIO IN CASE OF EMPLOYEE ASSIGNED OUTSIDE INDIA/ ABROAD

Suppose, vesting period of initial ESOP scheme is 4 years

ABC India	ABC USA	ABC India
Employee worked 1 year in India	Employee worked 2 years in USA	Employee worked 1 year in India

- In this scenario, ABC India will cancel the ESOP arrangement of particular employee at time of leaving for abroad and in lieu of the ESOP scheme ABC India may give him SAR/ Phantom stock of equivalent amount for remaining vesting period of 3 years
- Further, When employee will return to India ABC India may continue with SAR plan or may issue a fresh ESOP policy of remaining vesting period of 1 year of equivalent amount.

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POSSIBLE SCENARIO IN CASE OF EMPLOYEE ASSIGNED OUTSIDE INDIA/ ABROAD

Suppose, vesting period of initial SAR scheme is 4 years

ABC USA

Employee worked 2 Years in USA.

ABC India

Employee worked 2 years in India.

In this scenario, ABC India may continue with original SAR scheme or may give issue ESOP scheme of equivalent amount for remaining vesting period of 2 years.

FREQUENTLY ASKED QUESTIONS

- ❑ Whether company is listed outside India can give ESOP to their employees in India?

Indian overseas investment rules permit foreign companies to issue stock options under its ESOP schemes to employees or directors of their Indian offices ("Foreign Options")

- ❑ Can we give the ESOP to any employee of an holding company?

The ESOP/ Indian Options can be issued to employees (whether in India or overseas) of the company or its subsidiary/ holding company.

- ❑ How frequently valuation is required and what is validity of valuation report?

Valuation should be done either annually or at the time of allotment of shares. Valuation report should be earlier than the date of the exercising of the option, but should not be a date which is more than 180 days earlier than the date of the exercising.

FREQUENTLY ASKED QUESTIONS

- What is RSU and how is different from ESPP/ESOP?

Restricted stock, also known as restricted securities, is stock of a company that is not fully transferable until certain conditions have been met. Upon satisfaction of those conditions, the stock is no longer restricted, and becomes transferable to the person holding the award.

- RSU are stocks of the employer without any contribution from the employee but they often come with certain restrictions.
- ESOPs are stock-sharing plan with the employees; however, stocks are not given immediately. Employees are given an option to buy options at a future date at a predetermined price.
- In ESPPs discount is given on the market price to the employees to purchase the company's shares.

- Whether grandfathering provisions w.r.t. long term capital gain are available in case of ESOP?

Employees selling ESOPs of companies which list on the stock exchanges after January 31, 2018 may not get the benefit of the grandfathering clause proposed in the new LTCG tax regime. It is likely that these ESOP sellers would have to pay the 10% tax on full long term capital gains on such ESOPs

For employees of companies whose shares which were listed before January 31,2018 will get the benefit of grandfathering.

FREQUENTLY ASKED QUESTIONS

- Whether company can issue a mix of normal ESOP and SAR together?

Yes, a company can issue a mix of SAR and ESOP. Example- A company might issue ESOP to its employees and SAR to its consultants at the same time.

- What if the FMV moves below the exercise price, how would be the treatment in both side?

ESOP provides an employee with an option to purchase shares on a future date at a predetermined price. If the FMV of shares falls below exercise price, no employee would exercise his/her share and the options will lapse. The company will transfer the entire expense booked till date to the general reserve.

- What happens to vested and unvested options if the employee dies after vesting period but before exercise of ESOP

All the Vested Options as on date of death can be exercised by the Option Grantee's nominee or legal heir immediately after, but in no event later than 12 months from the date of death of the Option Grantee.

All the Unvested Options as on date of death shall be deemed to have been vested and can be exercised in the similar manner as aforementioned.

ABOUT **AMRG**

AMRG & Associates Chartered Accountants firm was established in INDIA in 1984 and has currently become one of the leading chartered accountants firms in North India.

The firm operates from its offices situated in Delhi, Gurgaon, Mumbai and Mohali and offers its clients a full range of services including financial and business advisory, tax and regulatory, and risk advisory services.

AMRG & Associates has a client base of more than 200 companies & individuals.

The team consists of distinguished Chartered Accountants, Corporate Financial Advisors, Risk advisors and Tax consultants. The firm represents a combination of specialized skills, which are geared to offer sound financial advice and personalized proactive services.

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"WE GROW WITH THE GROWTH OF OUR CLIENTS"

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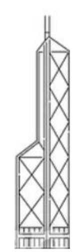

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