



Kirloskar Industries Limited - Employees Stock Appreciation Rights Plan 2019

Kirloskar Industries Limited

Registered Office: Office No. 801, 8th Floor, Cello Platina, Fergusson College Road, Shivajinagar,
Pune- 411005.
CIN: L70100PN1978PLC088972



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Kirloskar Industries Limited - Employees Stock Appreciation Rights Plan 2019

1. Name, Objective and Term of the “Kirloskar Industries Limited - Employees Stock Appreciation Rights Plan 2019”

1.1 This Plan shall be called the “Kirloskar Industries Limited - Employees Stock Appreciation Rights Plan 2019” (hereinafter referred to as “KIL ESARP 2019” / “Plan”). This Plan shall be implemented as Equity Settled Stock Appreciation Rights.

1.2 The objectives of the KIL ESARP 2019 are to reward Employees for their association with the Company and its Subsidiary company(ies), their performance as well as to attract, retain and reward Employees to contribute to the growth and profitability of the Company. The Company also intends to use the KIL ESARP 2019 to attract and retain talent in the Company and its Subsidiary Company(ies). Through KIL ESARP 2019, the Company intends to offer an opportunity of sharing the value created with those Employees who have contributed or are expected contribute to the growth and development of the Company.

1.3 The KIL ESARP 2019 as originally envisaged has come into force on 29th December 2019 on which the shareholders of the Company have approved the KIL ESARP 2019. In the meantime, the Company intends to amend the KIL ESARP 2019 with a view to align it with the requirement of the SEBI SBEB & SE Regulations. Thus, the KIL ESARP 2019 has been amended by the Nomination and Remuneration Committee (the Committee) and the Board of the Company.

The members of the Company approved the amendment of the KIL ESARP 2019, by adding 3,00,000 ESARs into the existing ESAR pool from 4,85,000 ESARs to 7,85,000 ESAR on 30 April 2023.

1.4 The KIL ESARP 2019 shall continue to be in force until (i) its termination by the Board / the Committee; or (ii) the date on which all of the Employee Stock Appreciation Rights available for issuance under the KIL ESARP 2019, have been issued and exercised, whichever is earlier.

2. Definitions and Interpretation

2.1 Definitions

In the KIL ESARP 2019, unless the context clearly indicates a contrary intention, the following words or expressions shall have the meaning assigned herein:



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- i. **“Applicable Laws”** means every law relating to Employee Stock Options / Stock Appreciation Rights, to the extent applicable, including and without limitation to the Companies Act, 2013, and includes any statutory modifications or re-enactments thereof, the applicable provisions of the Companies Act, 1956, if any, Securities and Exchange Board of India Act, 1992, the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, (SEBI SBEB & SE Regulations) as amended from time to time, and all relevant tax, securities, exchange control or corporate laws of India including any circular, notification issued thereunder, or of any relevant jurisdiction or of any Recognised Stock Exchange on which the Shares are listed or quoted.
- ii. **“Appreciation”** means the excess of Market Price of the Share of the Company with reference to the date of Exercise of ESARs over the ESAR Price and the Appreciation shall be passed on by way of allotment of Shares of value equivalent to Market Price of the Shares as on the date of Exercise.
- iii. **“Board”** means the Board of Directors of Kirloskar Industries Limited, which shall be deemed to include any Committee, including the Nomination and Remuneration Committee which has been exercised by the Board to exercise its powers for implementation and management of the KIL ESARP 2019.
- iv. **“Cash”** means amount paid in Indian rupees or in any recognised currency for settlement of ESARs only against fractional shares and includes payment by way of cheque, demand draft or through any other banking channel.
- v. **“Committee”** means the Nomination and Remuneration Committee constituted by the Board from time to time, to administer and supervise the KIL ESARP 2019 and other employee benefit plans / schemes, if any, comprising of such members of the Board as provided under Regulation 19 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (the Regulations), as amended from time to time and having such powers as specified under the SEBI SBEB & SE Regulations read with powers specified in this KIL ESARP 2019 to act as compensation committee.
- vi. **“Companies Act”** means the Companies Act, 2013, read with Rules thereunder from time to time and includes any statutory modifications or re-enactments thereof and the Companies Act, 1956, to the extent applicable



- vii. **"Company"** means "Kirloskar Industries Limited", a company incorporated under the provisions of the Companies Act, 1956, (which deems to include the Companies Act, 2013), having CIN: L70100PN1978PLC088972 and having its Registered Office at Office No. 801, 8th Floor, Cello Platina, Fergusson College Road, Shivajinagar, Pune - 411005, Maharashtra and shall deem to mean Subsidiary company as the context may require for the purposes of this Plan.
- viii. **"Company Policies / Terms of Employment"** means the Company's policies for Employees and the terms of employment as contained in the employment letter, which includes provisions for securing confidentiality, non-compete and non-poaching of other employees and customers. Policies / terms of employment of Subsidiary Company(ies) as regards an ESAR Grantee on the payrolls of such Subsidiary company(ies) shall be deemed to be "Company Policies/Terms of Employment" for such ESAR Grantee.
- ix. **"Death"** for the purpose of this KIL ESARP 2019 shall mean death of an Employee during the continuance of employment or service, which shall not include death due to suicide and any other reason(s) specified if any, under the Human Resource Policy of the Company.
- x. **"Director"** means a member of the Board of the Company.
- xi. **"Eligibility Criteria"** means the criteria as may be determined from time to time by the Committee for granting the ESAR to the Employees.
- xii. **"Employee"** means
- (i) an employee as designated by the Company, who is exclusively working in India or outside India; or
 - (ii) a director of the Company, whether a whole-time director or not, including a non-executive director who is not a Promoter or member of the Promoter Group; or
 - (iii) an employee, as defined in sub-clauses (i) or (ii) above, of a Subsidiary Company(ies), whether present or future, in or outside India, of the Company
- but excludes:**
- a) any Employee who is a Promoter and persons belonging to Promoter Group;



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- b) any such Director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Company; and
 - c) an Independent Director within the meaning of the Companies Act, 2013 and Regulation 16(1)(b) of the Regulations, as applicable.
- xiii. **“Employee Stock Appreciation Right”** means a right given to an ESAR Grantee entitling him / her to receive Appreciation by way of Shares of the Company, in accordance with and subject to the terms and conditions of KIL ESARP 2019.
- xiv. **“ESAR”** means Employee Stock Appreciation Right within the meaning of KIL ESARP 2019.
- xv. **“ESAR Grantee”** means an Employee who has been granted ESARs and has accepted such Grant as required under the KIL ESARP 2019 and shall deem to include nominee / legal heirs of an ESAR Grantee in case of his / her death to the extent provisions of the KIL ESARP 2019 are applicable to such nominee / legal heirs.
- xvi. **“ESAR Price”** means the base price determined on the Grant Date by the Committee as per the provisions of Sub-clause 8.1 of the KIL ESARP 2019, with reference to which Appreciation shall be computed.
- xvii. **“Equity”** means the Share as defined under sub-clause 2.1(xxxv) of KIL ESARP 2019.
- xviii. **“KIL ESARP 2019”** means this KIL Employees Stock Appreciation Rights Plan 2019 under which the Company is authorised to grant ESARs to the Employees.
- xix. **“Exercise”** of ESAR means expression of an intention by the ESAR Grantee to the Company for receiving Appreciation in the form of Shares against ESARs vested in him / her in pursuance of the KIL ESARP 2019.



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- xx. **“Exercise Period”** means such time period after Vesting within which the ESAR Grantee should Exercise the rights for receiving Appreciation against ESARs vested in him / her in pursuance of the KIL ESARP 2019.
- xxi. **“Grant”** means the process by which the Company issues ESARs to the Employees under the KIL ESARP 2019.
- xxii. **“Grant Date”** means the date of the meeting of the Committee in which Grant of ESARs to the Employees is approved.

Explanation: For accounting purposes, the Grant Date will be determined in accordance with applicable accounting standards.

- xxiii. **“Independent Director”** means a Director within the meaning of Section 149(6) of the Companies Act, 2013, read with Regulation 16(1)(b) of the Regulations.
- xxiv. **“Market Price”** means the latest available closing price of Shares on the Recognised Stock Exchange on which the Shares of the Company are listed on the date immediately prior to the applicable Relevant Date.

Explanation - If such Shares are listed on more than one Recognised Stock Exchanges, then the closing price on such stock exchange having higher trading volume shall be considered as the Market Price.

- xxv. **“Misconduct”** means any of the following acts or omissions by an Employee in addition to any provisions prescribed in the offer or terms of employment amounting to violation or breach of terms of employment as determined by the Committee after giving the Employee an opportunity of being heard:
- a. committing of any act warranting summary termination under law; or
 - b. conduct which in the reasonable opinion of the Committee amounts to a serious breach by an ESAR Grantee of the obligation of trust and confidence to his employer; or
 - c. a finding by the Committee that an Employee has committed any material or consistent breach of any of the terms or conditions of Employee service agreement including any willful neglect of or refusal to carry out any of his duties or to comply with any instruction given to him by the Committee; or
 - d. being convicted of any criminal offence; or



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- e. being disqualified from holding office in the Company or any other company under any legislation or being disqualified or disbarred from membership of, or being subject to any serious disciplinary action by, any regulatory body within the industry, which undermines the confidence of the Committee in the individual's continued employment;
 - f. having acted or attempted to act in any way which in the opinion of the Committee has brought or could bring the Company or any other Group member into disrepute or discredit;
 - g. breach or violation of any Company policies / terms of employment; and
 - h. Any other not included above but defined as misconduct in the Company's rules and / or employment agreement and / or appointment letter.
- xxvi. **"Permanent Disability"** means any disability of whatsoever nature, be it physical, mental or otherwise, which incapacitates or prevents or handicaps an Employee from performing any specific job, work or task which the said Employee was capable of performing immediately before such disablement, as determined by the Committee based on a certificate of a medical expert identified by the Committee.
- xxvii. **"Plan"** means and refers to the KIL ESARP 2019 defined hereof.
- xxviii. **"Promoter"** means the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended.
- xxix. **"Promoter Group"** means the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended.
- Provided that** where the Promoter or Promoter Group of the Company is a body corporate, the Promoters of that body corporate shall also be deemed to be Promoters of the Company.
- xxx. **"Relevant Date"** means any of the following dates as the context requires:
- (i) in the case of Grant, the date of the meeting of the Committee on which the Grant is made; or
 - (ii) in the case of Exercise, the date on which the notice of Exercise is given to the Company by the ESAR Grantee.



- xxxi. **“Recognised Stock Exchange”** means the National Stock Exchange of India Limited (NSE), BSE Limited (BSE) or any other recognised stock exchange(s) in India on which the Shares are listed.
- xxxii. **“Retirement”** means retirement as per the Rules of the Company.
- xxxiii. **“SEBI SBEB & SE Regulations”** means the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended and includes all Regulations and clarifications issued thereunder.
- xxxiv. **“Secretarial Auditor”** means a company secretary in practice appointed by a company under Rule 8 of the Companies (Meetings of Board and its Powers) Rules, 2014, to conduct secretarial audit pursuant to Regulation 24A of the Regulations.
- xxxv. **“Settlement”** of an ESAR means payment of Appreciation by way of allotment of Shares of value equivalent to the Market Price of such Shares as on date of Exercise and includes payment made in Cash, if any, towards any fractional Shares arising out of Exercise, as per provision of Clause 10 of KIL ESARP 2019.
- xxxvi. **“Share”** means an equity share of the Company of face value of Rs 10 (Rupee Ten) each fully paid-up and includes equity shares arising out of the Exercise of ESARs granted under the KIL ESARP 2019.
- xxxvii. **“Subsidiary company”** means any present or future subsidiary of the Company, as per the provisions of the Companies Act.
- xxxviii. **“Unvested ESAR”** means an ESAR in respect of which the relevant Vesting Conditions have not been satisfied and as such, the ESAR Grantee has not become eligible to Exercise the ESAR.
- xxxix. **“Vest”** or **“Vesting”** means earning by the ESAR Grantee, of the right to Exercise the ESARs granted to him / her in pursuance of the KIL ESARP 2019.
- xl. **“Vested ESAR”** means an ESAR in respect of which the relevant Vesting Conditions have been satisfied and the ESAR Grantee has become eligible to exercise the rights.



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- xli. “Vesting Condition” means the conditions subject to which the ESARs granted would Vest in an ESAR Grantee.
- xlii. “Vesting Period” means the period during which the Vesting of ESARs granted to the ESAR Grantees, in pursuance of the KIL ESARP 2019 takes place.

2.2 Interpretation

In this KIL ESARP 2019, 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; and
- e) a reference to a Schedule includes a reference to any part of that Schedule which is incorporated by reference.

Words and expressions used and not defined here but defined in the SEBI SBEB & SE Regulations, Securities and Exchange Board of India Act, 1992 (15 of 1992), the Securities Contracts (Regulation) Act, 1956, (42 of 1956) or the Companies Act, 2013 and any statutory modifications or re-enactment thereto, shall have the meanings respectively assigned to them in those legislation, as the context requires.

3. Authority and Ceiling

- 3.1 The shareholders of the Company, pursuant to a Special Resolution dated 29 December 2019, as approved through postal ballot, have authorised the Committee to issue to the Employees, such number of ESARs under the KIL ESARP 2019 at such ESAR Price or ESAR Prices, in one or more tranches and on such terms and conditions, as may be determined by the Committee in accordance with the provisions of KIL ESARP 2019, SEBI SBEB & SE Regulations and in due compliance with other Applicable Laws. The ESARs to be granted from time to time and in aggregate shall be subject to availability of Shares reserved vide the aforesaid Special Resolution. The aggregate number of Shares upon Exercise of ESARs under the KIL ESARP 2019 shall not exceed 7,85,000 (Seven Lakh Eighty Five Thousand) Shares of face value of ₹ 10 (Rupees Ten) each fully paid up, of the Company.
- 3.2 The number of ESARs that may be offered to any Employee in any financial year and in aggregate under the KIL ESARP 2019, shall be less than 1% of the issued equity share capital of the Company at the time of grant of ESARs under the KIL ESARP 2019.



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- 3.3 If an ESAR expires, lapses or becomes un-exercisable due to any reason, it shall be brought back to the ESAR pool as mentioned in Sub-clause 3.1 and shall become available for future Grants, subject to compliance with all Applicable Laws. The Committee will have power to re-Grant such ESARs.
- 3.4 Where Shares are issued consequent upon exercise of ESARs under the KIL ESARP 2019, the maximum number of Shares that can be issued under the KIL ESARP 2019 as referred to in Sub-clause 3.1 above will stand reduced to the extent of such Shares issued.
- 3.5 In case of a Share consolidation where the face value of the Share of the Company is increased above ₹ 10, the maximum number of Shares available for being granted under the KIL ESARP 2019 shall stand modified accordingly, so as to ensure that the cumulative face value (No. of shares X Face value per Share) prior to such consolidation remains unchanged after the Share consolidation. Thus, for instance, if the face value of each Share is increased to ₹ 20, the total number of Shares available under the KIL ESARP 2019, would be $(7,85,000 * 10 / 20)$ 3,92,500 equity shares of ₹ 20 each.

In case of a Share split where the face value of the Share of the Company is reduced below ₹ 10, the maximum number of Shares available for being granted under the KIL ESARP 2019 shall stand modified accordingly, so as to ensure that the cumulative face value (No. of shares X Face value per Share) prior to such split remains unchanged after the Share split. Thus, for instance, if the face value of each Share is reduced to ₹ 1, the total number of Shares available under the KIL ESARP 2019, would be $(7,85,000 * 10 / 1)$ 78,50,000 equity shares of ₹ 1 each.

4. Administration

- 4.1 The KIL ESARP 2019 shall be administered by the Committee. All questions of interpretation of the KIL ESARP 2019 shall be determined by the Committee and such determination shall be final and binding upon all persons having an interest in the KIL ESARP 2019 or in any ESAR issued thereunder.
- 4.2 The Committee shall in accordance with the KIL ESARP 2019 and Applicable Laws determined the following:



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- (a) The quantum and terms and conditions of ESARs to be granted under the KIL ESARP 2019 per Employee, subject to the ceiling as specified in Para 3.1 and 3.2;
- (b) The Eligibility Criteria;
- (c) The Exercise Period within which the Employee should Exercise the ESAR and that ESAR would lapse on failure to Exercise the ESAR within the Exercise Period;
- (d) The right of an Employee to Exercise all the ESARs 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 in case of corporate actions such as merger, sale of division, stock split / consolidation, rights issues, bonus issues and others. In this regard following shall be taken into consideration by the Committee:
 - (i) the number and the price of ESAR shall be adjusted in a manner such that total value of the ESAR remains the same after the corporate action.
 - (ii) the Vesting Period and the life of the ESAR shall be left unaltered as far as possible to protect the rights of the ESAR Grantees.
- (f) The procedure and terms for the Grant, Vest and Exercise of ESARs in case of ESAR Grantees who are on long leave;
- (g) Mode of payment of any price (cheque, demand draft, deduction from salary, or any other mode);
- (h) Determine the procedure for buy-back of Options granted under the KIL ESARP 2019, if to be undertaken at any time by the Company, and the applicable terms and conditions, including:
 - i) Permissible sources of financing for buy back
 - ii) any minimum financial thresholds to be maintained by the Company as per its last financial statements; and
 - iii) limits upon quantum of Options that the Company may buy-back in a financial year;
- (i) The procedure for funding for Exercise of ESARs, as permitted under the Applicable Laws;
- (j) Approve forms, writings and / or agreements, if entered by the Company, for use in pursuance of the KIL ESARP 2019; and
- (k) Frame suitable policies and procedures to ensure that there is no violation of the securities laws, as amended from time to time, including Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating To Securities Market) Regulations, 2003 or



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any statutory modification or re-enactment of these regulations by the Company, Subsidiary company(ies) or any of the Employees, as applicable.

5. Eligibility and Applicability

- 5.1 Only Employees are eligible for being granted ESARs under the KIL ESARP 2019. The specific Employees to whom the ESARs would be granted and their Eligibility Criteria would be determined by the Committee.
- 5.2 The KIL ESARP 2019 shall be applicable to the Company, its Subsidiary Company(ies), within or outside India, and any successor company thereof and ESARs may be granted to the Employees of the Company, as determined by the Committee at its sole discretion.
- 5.3 The ESARs granted to an Employee shall be subject to the terms and conditions set forth in the KIL ESARP 2019.
- 5.4 Appraisal process for determining the eligibility of the Employees will be based on designation, period of service, performance linked parameters such as work performance and such other criteria as may be determined by the Committee at its sole discretion, from time to time.

6. Grant and Acceptance of Grant

6.1 Grant of ESARs

Each Grant of ESARs under the KIL ESARP 2019 shall be made in writing by the Company to the eligible Employees in such form as may be approved under the KIL ESARP 2019 from time to time.

6.2 Acceptance of the Grant

Any eligible Employee who wishes to accept the Grant made under the KIL ESARP 2019 must deliver to the Company a duly signed acceptance of the letter of Grant on or before the date (“Closing Date”) which shall not be more than 60 days from the date of the Grant, as specified in the letter of Grant. On receipt by the Company of the signed acceptance, the eligible Employee will become an ESAR Grantee.



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Any eligible Employee, who fails to deliver the signed acceptance of the letter of Grant on or before the Closing Date stated above, shall be deemed to have rejected the Grant unless the Committee determines otherwise.

7. Vesting Schedule / Conditions

7.1 ESARs granted under the KIL ESARP 2019 would Vest after a minimum period of **One (1) year** but not later than a maximum period of **Four (4) years** from the Grant Date of such ESARs. The Committee shall determine the specific Vesting percentage and schedule which may be different for different Employees or class thereof at the time of Grant.

Provided that in case where ESARs are granted by the Company under the KIL ESARP 2019 in lieu of any employee stock options / ESARs held by a person under a similar plan in another company ("Transferor Company") which has merged or amalgamated with the Company, the period during which such options / ESARs granted by the Transferor Company were held by him shall be adjusted against the minimum Vesting Period required under this Sub-clause, at the discretion of the Committee in due compliance with the provisions of SEBI SBEB & SE Regulations.

7.2 Provided further that in the event of death or permanent incapacity of an Employee, the minimum vesting period of One (1) year shall not be applicable and in such instances, all the unvested ESARs shall vest with effect from date of death or permanent incapacity. Vesting of ESARs would be subject to continued employment with the Company or Subsidiary Company(ies), as the case may be and that the ESAR Grantee has not served any notice of resignation.

7.3 The specific Vesting schedule and Vesting Conditions subject to which Vesting would take place would be outlined in the document(s) given to the ESAR Grantee at the time of Grant of ESARs.

7.4 Vesting of ESARs in case of Employees on long leave

The period of leave shall not be considered in determining the Vesting Period in the event the Employee is on a sabbatical. In all other events including approved earned leave and sick leave, the period of leave shall be included to calculate the Vesting Period unless otherwise determined by the Committee.



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8. ESAR Price

8.1 The ESAR price per ESAR shall be the Market Price subject to the maximum discount of 50% (**Fifty percent**) as on date of the Grant at the discretion of the Committee.

8.2 The ESAR Price shall have relevance for the purpose of determination of Appreciation and the ESAR Grantees are not required to pay the ESAR Price. However, upon Vested ESARs are settled by way of allotment of Shares, the ESAR Grantees shall pay the face value of Shares prevailing at the time of such allotment as per Sub-clause 9.3 of the Plan.

9. Exercise of ESARs

9.1 While in employment / service

The Exercise Period in respect of a Vested ESARs shall not be more than **Five (5) years** from the date of Vesting of such ESARs. The specific Exercise Period but within the maximum Exercise Period, shall be given under the letter of Grant to individual Employee at the discretion of the Committee.

9.2 Exercise Period in case of separation from employment / service:

Vested ESARs can be exercised subject to treatment of Unvested ESARs as per provisions outlined herein below:

Sr. No.	Particulars	Vested ESARs	Unvested ESARs
1.	Resignation / Termination (other than due to Misconduct)	All the Vested ESARs as on date of submission of resignation or termination shall be exercised by the ESAR Grantee on or before last working day in the Company and its Subsidiary company(ies).	All Unvested ESARs on the date of submission of resignation / date of termination shall stand cancelled with effect from that date.



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Sr. No	Particulars	Vested ESARs	Unvested ESARs
2	Retirement / early Retirement approved by the Company	All the Vested ESARs as on date of Retirement shall be exercised by ESAR Grantee on or before 6 months from his / her last working day with the Company or its Subsidiary company(ies).	All Unvested ESARs as on the date of Retirement shall vest immediately in the ESAR Grantee and can be exercised in the manner defined for vested ESARs, unless otherwise decided by the Committee.
3.	Termination due to Misconduct	All the Vested ESARs which were not exercised at the time of such termination shall stand cancelled with effect from the date of such termination.	All Unvested ESARs on the date of such termination shall stand cancelled with effect from the termination date.
4.	Death	All Vested ESARs may be exercised by the deceased ESAR Grantee's Nominee or legal heir(s) immediately after, but in no event later than Six (6) months from the date of death.	All balanced Unvested ESARs as on the date of death shall be deemed to vest immediately and may be exercised as per provisions applicable for Vested ESARs.
5.	Termination due to Permanent Incapacity	All Vested ESARs as on the date of incurring such disability may be exercised by the ESAR Grantee immediately after, but in no event later than Six (6) months from the date of incurring such disability.	All balanced Unvested ESARs as on the date of incurring such disability shall be deemed to vest immediately and may be exercised as per provisions applicable for Vested ESARs.
6.	Abandonment	All the Vested ESARs shall stand cancelled with effect from the date of abandonment as determined by the Committee.	All the Unvested ESARs shall stand cancelled with effect from the date of abandonment as determined by the Committee.



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Sr. No	Particulars	Vested ESARs	Unvested ESARs
7.	Termination due to any other reason apart from those mentioned above	The Committee shall decide whether the Vested ESARs as on that date can be exercised by the ESAR Grantee or not, and such decision shall be final.	All Unvested ESARs on the date of such termination shall stand cancelled with effect from that date.

9.3 The ESARs shall be deemed to have been exercised when an ESAR Grantee makes an application in writing to the Company or by any other means as decided by the Committee, for the issuance of Shares against the ESARs vested in him, subject to payment of face value per Share allotted and compliance of other requisite conditions of Exercise.

9.4 Lapse of ESARs

The ESARs not exercised within the Exercise Period prescribed above shall lapse and the ESAR Grantee shall have no right over such lapsed or cancelled ESARs.

10. Settlement of Exercised ESARs

10.1 Any or all Vested ESARs upon Exercise shall be settled by way of allotment of Shares. The number of Shares shall be determined as under:

Number of Shares to be allotted = (Appreciation per ESAR x Number of ESARs exercised) / Market Price with reference to date of Exercise.

10.2 If the Settlement results in fractional Shares, then the consideration for fractional Shares shall be settled in Cash or in the manner as may be decided by the Committee.

10.3 The ESAR Grantee shall pay the face value of a Share prevailing at the time of such allotment per Share allotted subject to additional payment / recovery of applicable taxes pursuant to Clause 14 of the KIL ESARP 2019.



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10.4 Any payment made by an ESAR Grantee shall be made by a crossed cheque or a demand draft drawn in favour of the Company or in such other manner as the Committee may determine.

10.5 In case of negative or zero Appreciation, then the Employee shall not be allowed to Exercise their Vested ESARs.

11. Lock-in

11.1 The Shares arising out of Exercise of Vested ESARs would not be subject to any lock-in period after such Exercise.

Provided that the Shares allotted on such Exercise cannot be sold for such period of time as prescribed under the Code of Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons and immediate relatives of Designated Persons of Kirloskar Industries Limited and Code of Practices and Procedures for Fair Disclosure of UPSI of Kirloskar Industries Limited read with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

12. Exit route in case of de-listing

12.1 If the Company gets de-listed from all the Recognised Stock Exchanges, then the Board shall have the power to set out terms and conditions for the treatment of Vested ESARs and Unvested ESARs in due compliance of the then prevailing Applicable Laws.

13. Other Terms and Conditions

13.1 Nothing herein is intended to or shall give the ESAR Grantee any right or status of any kind as a shareholder of the Company (for example, bonus Shares, rights Shares, dividend, voting, etc.) in respect of any Shares covered by the Grant unless the ESAR Grantee exercises the ESARs and becomes a registered holder of the Shares of the Company.

13.2 The ESARs shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.



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- 13.3 If the Company issues bonus or rights Shares, the ESAR Grantee will not be eligible for the bonus or rights Shares in the capacity of an ESAR Grantee. However, an adjustment to the number of ESARs or the ESAR Price or both would be made in accordance with Sub-clause 4.2€ of the KIL ESARP 2019.
- 13.4 ESARs shall not be transferable to any person except in the event of death of the ESAR Grantee, in which case provisions of Sub-clause 9.2 would apply.
- 13.5 No person other than the ESAR Grantee to whom the ESARs are granted shall be entitled to Exercise the ESARs except in the event of the death of the ESAR Grantee in which case provisions of Sub-clause 9.2 would apply. If due to Permanent Disability, an ESAR Grantee is unable to exercise the ESARs, the Committee may permit the nominee of the disabled ESAR Grantee to exercise the ESARs on his behalf.

14. Taxation

- 14.1 The liability of paying taxes, if any, in connection with Settlement of ESARs granted pursuant to the KIL ESARP 2019 shall be entirely on ESAR Grantee and shall be in accordance with the provisions of the Income tax Act, 1961 and the Rules framed thereunder.
- 14.2 The Company shall have the right to recover from ESAR Grantee or deduct from the ESAR Grantee's salary, any of the ESAR Grantee's tax obligations arising in connection with the Shares allotted or ESARs settled in Cash (for a fraction of a Share) upon the Exercise thereof. The Company shall have no obligation to deliver Shares or make payment of any amount of Cash until the Company's tax deduction obligations, if any, have been fully satisfied by the ESAR Grantee.

15. Authority to vary terms

The Board or Committee may, if it deems necessary, modify, change, vary, amend, suspend or terminate the KIL ESARP 2019, subject to compliance with the Applicable Laws.



16. Miscellaneous

16.1 Government Regulations

The KIL ESARP 2019 shall be subject to all Applicable Laws including any statutory modification(s) or re-enactment(s) thereof, and approvals from Government Authorities, if any and to the extent required.

16.2 Inability to obtain approval

The inability of the Company to obtain approval from any regulatory body having jurisdiction over the Company, or under any Applicable Laws, for the lawful issuance of any Shares or payment of Cash hereunder shall relieve and wholly discharge the Company of any and all liability in respect of the failure to Grant the ESARs, issue Shares or pay Cash.

16.3 General Risks

Participation in the KIL ESARP 2019 shall not be construed as any guarantee of return on the equity investment. Any loss due to fluctuations in the price of the equity and the risks associated with the investments is that of the ESAR Grantee alone. The ESAR Grantee is encouraged to make considered judgment and seek adequate information /clarifications essential for appropriate decision.

16.4 The Grant of an ESAR does not form part of the ESAR Grantee's entitlement to compensation or benefits pursuant to his / her contract of employment nor does the existence of a contract of employment between any person and the Company give such person any right or entitlement to have an ESAR granted to him / her in respect of any number of Shares or any expectation that a ESARs might be granted to him / her whether subject to any condition or at all.

16.5 Neither the existence of the KIL ESARP 2019 nor the fact that an individual has on any occasion been granted an ESAR shall give such individual any right, entitlement or expectation that he / she has or will in future have any such right, entitlement or expectation to participate in the KIL ESARP 2019 or any future Plan(s) by being granted an ESAR on any other occasion.



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- 16.6 The rights granted to an ESAR Grantee upon the grant of ESARs shall not accord the ESAR Grantee any rights or additional rights to compensation or damages in consequence of the loss or termination of his / her office or employment with the Company for any reason whatsoever (whether or not such termination is ultimately held to be wrongful or unfair).
- 16.7 The ESAR 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 ESAR in whole or in part.

17. Notices

- 17.1 All notices of communication required to be given by the Company to an ESAR Grantee by virtue of the KIL ESARP 2019 shall be in writing. The communications shall be made by the Company in any one or more of the following ways:
- i. Sending communication(s) to the address of the ESAR Grantee available in the records of the Company; or
 - ii. Delivering the communication(s) to the ESAR Grantee in person with acknowledgement of receipt thereof; or
 - iii. Emailing the communication(s) to the ESAR Grantee at the official email address provided if any by the Company during the continuance of employment or at the email address provided by the ESAR Grantee after cessation of employment.
- 17.2 Any communication to be given by an ESAR Grantee to the Company in respect of the KIL ESARP 2019 shall be sent to the person at the address mentioned below:

Head - Human Resource

Kirloskar Industries Limited

Registered Office: Office No. 801, 8th Floor, Cello Platina Fergusson College Road, Shivajinagar, Pune -411005.

E-mail: jagdish.purandare@kirloskar.com

18. Governing Law and Jurisdiction

- 18.1 The terms and conditions of the KIL ESARP 2019 shall be governed by and construed in accordance with the laws of India.



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18.2 The Courts in Pune, India shall have jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of the KIL ESARP 2019.

19. Income Tax Rules

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

20. Nomination

The Employee has to nominate a person as his / her nominee. The nominee in case of death or legal incapacity of Employee shall be the legal representative recognized by the Company as the inheritor of the Employee in respect of all rights and liabilities for the purposes of this KIL ESARP 2019.

21. Listing of the Shares

For listing of shares pursuant to the KIL ESARP 2019, the Company shall obtain the in-principle approval of the recognized stock exchanges where it proposes to list the said shares prior to the grant of ESAR. Further, subject to receipt of necessary approvals in this regard, the Shares issued and allotted on Exercise of the ESARs shall be listed on the Recognised Stock Exchanges on which the Shares of the Company are listed or proposed to be additionally listed.

22. Restriction on transfer of ESARs

22.1 The ESARs shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

22.2 ESARs shall not be transferable to any person except in the event of death of the ESAR Grantee, in which case provisions at Sub-clause 9.2 would apply.

22.3 No person other than the Employee to whom the ESAR is granted shall be entitled to Exercise the ESAR except in the event of the death of the ESAR Grantee holder, in which case provisions at Sub-clause 9.2 would apply.

23. Severability

In the event any one or more of the provisions contained in the KIL ESARP 2019 shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of the



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KIL ESARP 2019, but the KIL ESARP 2019 shall be construed as if such invalid, illegal or unenforceable provision had never been set forth herein, and the KIL ESARP 2019 shall be carried out as nearly as possible according to its original terms and intent.

24. Accounting Policy

The Company shall follow the requirements including the disclosure requirements and the IND AS 102 on Share based Payments and / or any relevant Accounting Standards as may be prescribed by the Central Government in terms of Section 133 of the Companies Act, 2013, or any other statutory authority from time to time, including any guidance note on Accounting for employee share-based payments issued in that regard from time to time and the disclosure requirements prescribed therein, in compliance with relevant provisions of Regulation 5 of SEBI SBEB & SE Regulations.

The Company shall make disclosures to the prospective ESAR Grantees containing statement of risks, information about the Company and salient features of the KIL ESARP 2019 in a format as prescribed under SEBI SBEB & SE Regulations.

The Company shall disclose details of Grant, Vest, Exercise and lapse of the ESARs in the Directors' Report or in an annexure thereof as prescribed under SEBI SBEB & SE Regulations or any other Applicable Laws as in force.

25. Certificate from Secretarial Auditor and Disclosures

The Board shall at each Annual General Meeting place before the shareholders a certificate from the Secretarial Auditors of the Company that the KIL ESARP 2019 has been implemented in accordance with the SEBI SBEB & SE Regulations and in accordance with the Resolutions of the Company in the general meeting. The Board shall also make the requisite disclosures of the KIL ESARP 2019, in the manner specified under the SEBI SBEB & SE Regulations.

26. Confidentiality

26.1 ESAR Grantees must keep the details of the KIL ESARP 2019 and all other documents in connection thereto strictly confidential and must not disclose the details with any of his / her peer, colleagues, co-employees or with any employee and/ or associate of the Company or that of its affiliates except disclosures to such authorities as required under law. In case ESAR Grantee is found in breach of this Confidentiality Clause, the Company shall have undisputed right to terminate any agreement and



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all unexercised ESARs shall stand cancelled immediately. The decision and judgment of the Company regarding breach of this Confidentiality Clause shall be final, binding and cannot be questioned by ESAR Grantee. In case of non-adherence to the provisions of this Clause, the Committee will have the authority to deal with such cases as it may deem fit.

- 26.2 The ESAR Grantee agrees that the Company may be required to disclose information of the ESAR Grantee during the process of implementation of the ESARs or while availing services relating to ESARs consulting, advisory services or ESARs Management services and / or any other such incidental services. The ESAR Grantee hereby accords his / her consent that such confidential information regarding his / her ESARs entitlements may be disclosed by the Company to its officers, professional advisors, agents and consultants on a need-to-know basis.

For Kirloskar Industries Limited



Atul Kirloskar
Chairman
Date: 2.05.2023
Place: Pune

