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Annexure : Scheme for issue of ADR/GDR Linked Stock Option for employees of software companies in India

ANNEXURE

Scheme for issue of ADR/GDR Linked Stock Option _for employees of software companies in India

(i) A software company which has already floated ADR/GDR or a company which is proposing to float ADR/GDR would be entitled to issue ADR/GDR Linked Stock Options to its employees.

A software company which proposes to issue ADR/GDR linked stock option to its employees should clearly include such proposal as part of its application for ADRs/GDRs. While Government of India, Ministry of Finance, Department of Economic Affairs, approval will be for total issue size inclusive of stock option, the ADRs/GDRs earmarked for the employees up to the specified limit will be issued by the company as and when an employee exercises his stock option. Accordingly, the company shall not exceed the approved level of ADRs/GDRs to be issued by it at any point of time.

In the case of software companies which have already issued ADRs/GDRs, such companies may seek permission for issue of stock options for existing ADR/GDR issue, observing the general parameters of the guidelines.

(ii) The scheme would be available to listed and unlisted software Indian companies which fulfil the performance track record eligibility and other requirements under ADR/GDR guidelines of Government of India.

(iii) A software company would be defined as a company engaged in manufacture or production of software whose turnover from software activities is not less than 80 per cent.

(iv) A software company applying to Government of India for issue of ADR/GDR linked stock options shall be required to submit relevant documents certified by a Chartered Accountant, establishing that they are a software company conforming to the stipulation indicated above. The relevant documents shall also be submitted to Reserve Bank while applying for permission for remittances of foreign exchange for acquisition of ADRs/GDRs in exercise of the stock option.

(v) The stock option shall be available to non-resident and resident permanent employees (including Indian and overseas working directors) of the company. The stock options shall not be available to the promoters and their relatives (as defined under the Companies Act).

(vi) The eligible employees can remit up to U.S.\$ 50,000 in a block of five years

for acquisition of ADRs/GDRs. Upon liquidation of ADR/GDR holdings the proceeds should be repatriated to India unless permission from Reserve Bank is obtained for its retention or use abroad.

(vii) Issue of stock options shall require a special resolution as applicable for preferential allotment of shares. The allotment of stock options shall be done by a Committee of the Board of Directors of the company. The Committee of Directors shall have a minimum of two non executive members of the Board as its members.

(viii) The issuing company would be entitled to issue options not exceeding 10% of its issued and paid up equity capital.

(ix) The stock options may be issued at a discount of not more than 10% to the market price prevailing at the time of the issue of the stock option.

(x) While ADRs/GDRs acquired in exercise of the stock option shall be freely transferable, the stock options themselves shall be non-transferable.

(xi) Full disclosure should be made in the Directors Report or in an Annexure to the Directors Report, of the details of the stock option scheme by the company.

(xii) ADRs/GDRs acquired on exercise of stock option would be eligible for concessional tax treatment under 115AC of Income-tax Act, 1961. (Necessary amendments under Section 115AC of the Income-tax Act, 1961 shall be notified by the Government of India, Ministry of Finance, Department of Revenue, separately.)