

ORG INFORMATICS LIMITED

Annual Report 2002-2003

Board of Directors

Mr. Kartikeya V. Sarabhai
Chairman
 Mr. Ajoy Khandheria
Managing Director & CEO
 Mr. Ajay R. Mehta
 Mr. John Cornell
 Mr. C. V. S. Narayanan
 Dr. Anand Sarabhai
 Dr. V. C. Shah
 Dr. Arun Sobti

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Auditors

Messrs Sorab S Engineer & Co.
 Chartered Accountants
 Ismail Building
 381, Dr. D. Naoroji Road,
 Fort, Mumbai.

ORG Informatics Limited

Regd. Office:

Dr. Vikram Sarabhai Marg, Wadi Wadi, Vadodara 390 023.

Notice

The Twenty Seventh Annual General Meeting of the Company will be held on Saturday, the 30th August, 2003 at 11.00 A.M. at Vanijya Bhavan, Race Course, Vadodara to transact the following business:

Item 1 :

To receive, consider and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31.3.2003 and the Balance Sheet of the Company as on that date.

Item 2 :

To appoint a Director in place of Dr. Anand Sarabhai, who retires by rotation and being eligible offers himself for re-appointment.

Item 3 :

To appoint a Director in place of Mr. C.V.S. Narayanan, who retires by rotation and being eligible offers himself for re-appointment.

Special Business:

To consider and, if thought fit, to pass with or without modifications, the following resolution.

Item 4 - Ordinary Resolution:

To appoint Messrs Deloitte Haskins & Sells, Chartered Accountants, Mumbai, as Auditors in place of Sorab S. Engineer & Co. to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Item 5 - Ordinary Resolution :

To appoint a Director in place of Mr. Ajoy Khandheria, who holds office of a Director upto a date of this Annual General Meeting and being eligible offers himself for re-appointment.

Item 6 - Ordinary Resolution :

To appoint a Director in place of Mr. John Cornell, who holds office of a Director upto a date of this Annual General Meeting and being eligible offers himself for re-appointment.

Item 7 - Ordinary Resolution :

"RESOLVED that in supersession of the resolution passed at the Annual General Meeting of the Company held on 22nd September, 1990, consent be and is hereby accorded to the Board of Directors of the Company pursuant to Section 293 (1) (d) of the Companies Act, 1956 for borrowing from time to time any sum or sums of money upon such terms and conditions and with or without security as the Board of Directors in their absolute discretion may think fit, notwithstanding that moneys to be borrowed together with moneys

already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of the Company's Business) may exceed the aggregate of the paid-up capital of the Company and its free reserves i.e. to say reserves not set apart for any specific purpose, provided however, that the total amount of such borrowings shall not in the aggregate exceed at any one time, a sum of Rs. 125 crore".

Item 8 - Special Resolution :

"RESOLVED that pursuant to the provisions of Section 269, 309, 310 and 314 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the appointment of Mr. Ajoy Khandheria as Managing Director & Chief Executive Officer in the whole-time employment of the Company for a period of 3 years with effect from 25.2.2003 and holding and continuing to hold an office or place of profit, subject to terms, conditions and stipulations contained in the Letter of Appointment dated 25.2.2003 issued by the Company, a copy whereof is placed before the meeting, which is in line with Part II of Schedule XIII of the Companies Act, 1956".

Item 9 - Ordinary Resolution :

"RESOLVED that pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs.8,50,00,000 (Rupees Eight Crore Fifty lakh) to Rs.15,00,00,000 (Rupees Fifteen Crore) divided into 1,50,00,000 (One Crore fifty lakh) equity shares of Rs.10/- each."

Item 10 - Special Resolution :

- "RESOLVED that in Clause V of the Memorandum of Association of the Company for the words, "The Authorised Share Capital of the Company is Rs.8,50,00,000 (Rupees Eight Crore fifty lakh) divided into 85,00,000 (Eighty five lakh) equity shares of Rs.10 (Rupees Ten) each", the words "The Authorised Share Capital of the Company is Rs.15,00,00,000 (Rupees Fifteen Crore) divided into 1,50,00,000 (One Crore fifty lakh) equity shares of Rs.10 (Rupees Ten) each" be substituted".
- "RESOLVED that Article 3 of the Articles of Association of the Company be deleted and instead the following new Article be substituted in its place:
- The Authorised Share Capital of the Company is Rs.15,00,00,000 (Rupees Fifteen Crore) divided into 1,50,00,000 (One Crore fifty lakh) equity shares of Rs.10 (Rupees Ten) each."

Item 11 - Special Resolution

"RESOLVED that subject to the provisions of the Companies Act, 1956 (including any statutory modification (s) or re-enactment thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions, as may be necessary and subject

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to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board"), consent of the Company be and is hereby accorded to the Board to delist its Equity Shares from the Delhi Stock Exchange Association Limited, Ahmedabad Stock Exchange Limited, as well as the Regional Stock Exchange viz. The Vadodara Stock Exchange Limited – Vadodara".

Item 12 – Special Resolution

"RESOLVED that in accordance with the provisions of Sections 79A and 81 and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as "the ACT") and the provisions contained in the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "The Regulations") including any statutory modification(s) or re-enactment of the Act or the Regulations for the time being in force) and the Regulations/ Guidelines prescribed by any other relevant authority from time to time to the extent applicable and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as "The Board" which term shall be deemed to include the Compensation Committee of the Board of Directors) or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board in its sole discretion, THE CONSENT OF THE COMPANY BE AND IS HEREBY ACCORDED to the Board to create, offer, issue and allot at any time to or for the benefit of such employees and or directors of the Company as may be eligible under the Regulations and as may be decided solely by the Board under a scheme titled "Employee Stock Option Scheme" (hereinafter referred to as "the ESOS" or "the Scheme"), such number of equity linked options("the Options") which grant to such employees and or directors, the benefit or right to purchase or subscribe to securities offered by the Company at a future date, the exercise of which could give rise to the issue of equity shares not exceeding 10% of the issued equity share capital of the Company as on the date of such grant at such price, in such manner, during such period in one or more tranches and on such terms and conditions as the Board may decide in accordance with the Regulations or other provisions of the law as may be prevailing at the relevant time.

RESOLVED FURTHER that the Options may be allotted directly to such employees/ directors or in accordance with a Scheme framed in that behalf through any appropriate mechanism including a trust or other entity which may be set up in any permissible manner for that purpose and that such scheme may also contain provisions for providing financial assistance to the employees / trust / entity to enable the employees / trust / entity to acquire, purchase or subscribe to the securities.

RESOLVED FURTHER that the new equity shares to be issued and allotted in the manner aforesaid shall rank pari passu in all respects with the then existing equity shares of the Company save and except that such equity shares shall carry the right to receive either the full dividend or a pro rata dividend from the date of allotment, as may be determined by the Board, declared for the financial year in which the new equity shares are allotted.

RESOLVED FURTHER that for the purpose of creating, offering, issuing, allotting and listing of the securities, the Board be and is hereby authorised on behalf of the Company to evolve, decide upon and bring into effect the Scheme and to make any modifications, changes, variations, alterations or revisions in the said Scheme from time to time as may specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, usual, proper or desirable for such question, difficulty or doubt whatsoever as may arise with regard to the creation, offer, issue and allotment of the shares without requiring the Board to secure any further consent or approval of the members of the Company.

RESOLVED FURTHER that the Board be and is hereby authorised to delegate all or any of its powers to any Committee of Directors of the Company to give effect to the aforesaid Resolution."

Item 13 – Draft Ordinary Resolution

To consider and, if thought fit, to pass, the following resolution as an Ordinary Resolution:

"RESOLVED that subject to the consents, approvals and permissions being obtained from appropriate authorities to the extent applicable or necessary, consent of the Company be and is hereby given pursuant to Section 293 (1) (a) of the Companies Act, 1956 to the transfer of telecom engineering business of the Company to a public limited company incorporated / to be incorporated as a wholly owned subsidiary of ORG Informatics Limited, under the name and style of "ORG Telecom Limited" or such other name as may be approved by the Registrar of Companies, against adoption of liabilities by the transferee company and with effect from such date as the Board of Directors of the Company may think fit and that the Board of Directors of the Company (which shall include a Committee of Directors constituted for this purpose) be and is hereby authorized to complete the transfer of the said telecom engineering business with such modifications as may be required by any of the concerned authorities or which it may deem to be in the interest of the Company and to do all such acts, deeds, matters and things as may be deemed necessary and / or expedient in the interest of the Company."

Item 14 – Draft Ordinary Resolution

To consider and, if thought fit, to pass, the following resolution as an Ordinary Resolution:

"RESOLVED that subject to the consents, approvals and permissions being obtained from appropriate authorities to the extent applicable or necessary, consent of the Company be and is hereby given pursuant to Section 293 (1) (a) of the

Companies Act, 1956 to the transfer of Systems Integration, Services and Software businesses of the Company to a separate company to be incorporated as a joint venture between ORG Informatics Limited, under the name and style of "ORG Systems Limited" / "ORG Systems Private Limited" or such other name as may be approved by the Registrar of Companies, against adoption of assets and liabilities by the transferee company and with effect from such date as the Board of Directors of the Company may think fit and that the Board of Directors of the Company (which shall include a Committee of Directors constituted for this purpose) be and is hereby authorised to complete the transfer of the said Systems Integration, Services and Software businesses with such modifications as may be required by any of the concerned authorities or which it may deem to be in the interest of the Company and to do all such acts, deeds, matters and things as may be deemed necessary and / or expedient in the interest of the Company."

Item 15 – Draft Special Resolution

To consider and, if thought fit, to pass, the following resolution as a Special Resolution:

"RESOLVED that consent of the shareholders be and is hereby granted to Global Asia Partners, a company duly established and existing under the laws of Delaware, USA ("GAP"), to acquire joint control of the management of business activities of the Company along with Ambalal Sarabhai Enterprises Limited, the single largest shareholder of the Company at present, and its related entities (collectively referred to as "the existing promoters"), on such terms and conditions as may be agreed to by and between GAP and the existing promoters ("the Parties").

RESOLVED FURTHER that detailed modalities of the proposed sharing of control of the management of business activities of the Company may be worked out between the Parties broadly on terms and conditions including the following:

1. The Parties shall have equal representation on the Board;
2. The Chairman of the board shall be elected by the Board from time to time on a rotational basis from among the nominees of the parties, for a period of one year;
3. The Company shall have a Chief Executive Officer, who shall be jointly selected by the Parties; and
4. The Parties will avoid carrying out or supporting, directly or indirectly, any activity, which may result in impeding of the development of the Company.

RESOLVED FURTHER that the Board be and is hereby authorised to do the needful if any action is required in pursuance of any arrangement proposed to be entered into by and between the Parties."

By Order of the Board of Directors,

P. Sameerdas

Company Secretary

29th July, 2003

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and the Share Transfer Books of the Company will remain closed from 25.8.2003 to 30.8.2003 (both days inclusive)
3. Shareholders holding the shares in Electronic form are requested to bring their Client ID and DPID at the meeting for easy identification.
4. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year 1994-95 which was remained unpaid or unclaimed for a period of 7 years have been transferred to the "Investor Education and Protection Fund" of the Central Government.
5. The information required to be given pursuant to Corporate Governance Code regarding appointment / reappointment of Director/s is as under:
 - (i) Dr. Anand Sarabhai is a Molecular Biologist. He has been very active in the Scientific field and has in the past also held a position of an Advisor (Special Project) to Chiron Corporation, California. Dr. Anand Sarabhai is a Director on the Board of Directors of the Company since March, 1997. His association with the Company as a Director on the Board of Directors is of great help and guidance. He holds directorship in 52 other Companies including Private Limited Companies.
 - (ii) Mr. C.V.S. Narayanan is D.Com, ACMA, London, AICWA, India. He has more than 47 years of experience in operational and management areas. He holds directorship in 6 other Companies including Private Limited Companies.
 - (iii) Mr. Ajoy Khandheria is MBA from the University of California, Berkeley and has an electrical engineering degree from M.S. University, Baroda, India. He has over 15 years of experience in building telecommunications businesses. He has invested in several successful companies, including Advanced Fibre Corporation Inc. (AFCI). He has also been an active angel investor for the past four years. Besides investing, he has built successful global businesses for large corporations, such as Harris Corporation, ItalCable, and small companies including ConvergeLabs, where he was

the founder and CEO. He currently advises several large successful companies including U T Starcom, Hughes Software Systems, and ipUnity. He was also one of the founders of a successful telephone company in India.

- (iv) Mr. John Cornell is a Bachelor of Science in Accounting from the University of Kentucky. He has over 20 years of experience in Financial Management in ConvergeLabs Corporation, USA. Prior to ConvergeLabs he led the accounting functions for a closely held newspaper and television broadcast company. Prior to that he was Director of Business Development for Harris Corporation's Digital Telephone Systems Division and was instrumental in establishing joint ventures in the People's Republic of China and India. He also headed the worldwide accounting function for Harris' Broadcast Products Division including the completion of acquisitions in the U.S. and the U.K. He joined Harris in their Corporate Treasury department. Prior to joining Harris, he worked in Corporate Treasury for Texas Gas Corporation and he began his career in public accounting.

Explanatory Statement :

required under Section 173 of the Companies Act, 1956, to accompany the notice of Twenty Seventh Annual General Meeting of the Company.

Item 4

At the ensuing Annual General Meeting Messrs Deloitte Haskins & Sells, Chartered Accountants, Mumbai, are proposed to be appointed as the Statutory Auditors in place of Sorab S. Engineer & Co. A notice has been received from a member proposing the name of Deloitte Haskins & Sells to be appointed as the Statutory Auditors of the Company for the ensuing year. Accordingly appropriate resolution of item No.4 of the notice is being proposed at the ensuing Annual General Meeting for consideration and approvals of the members.

Item 5

The Board of Directors of the Company, had at its Meeting held on 25th February, 2003 appointed Mr. Ajay Khandheria as Additional Director on the Board of Directors of the Company. In terms of the provisions of Section 260 of the Companies Act, 1956, he holds office of a Director only upto the date of ensuing Annual General Meeting of the Company, but he is eligible for re-appointment. As required under Section 257 of the Companies Act, 1956, notice has been received from a member signifying his intention to propose his name for the office of Director. The Board of Directors considers it desirable that the Company continues to avail of the services of Mr. Ajay Khandheria as Director of the Company.

Your Directors commend the resolution as set out at item No.5 in the accompanying notice for your approval.

Mr. Ajay Khandheria may be considered to be interested in the resolution.

Item 6

The Board of Directors of the Company, had at its Meeting held on 25th February, 2003 appointed Mr. John Cornell as Additional Director on the Board of Directors of the Company. In terms of the provisions of Section 260 of the Companies Act, 1956, he holds office of a Director only upto the date of ensuing Annual General Meeting of the Company, but he is eligible for re-appointment. As required under Section 257 of the Companies Act, 1956, notice has been received from a member signifying his intention to propose his name for the office of Director. The Board of Directors considers it desirable that the Company continues to avail of the services of Mr. John Cornell as Director of the Company.

Your Directors commend the resolution as set out at item No.6 in the accompanying notice for your approval.

Item 7

Pursuant to the provisions of Section 293(1) (d) of the Companies Act, 1956, the Board of Directors requires the consent of the shareholders of the Company in a General Meeting to borrow money more than the aggregate of the paid-up capital of the Company and its free reserves at any one time. At the Annual General Meeting of the Company held on 22nd September, 1990 consent of the members had been obtained for the Directors to borrow upto a maximum amount of Rs.10 Crore. Upon approval of the Scheme of Amalgamation of DDE ORG Systems Pvt. Ltd.(DOSPL) with the Company effective from 1.4.2002, the business activities of DOSPL vested in the Company. Therefore it would be necessary and /or desirable to increase the borrowing limit to Rs125 Crore.

The Board commends the resolution for acceptance by members. None of the Directors of the Company are concerned or interested in any manner in the said resolution.

Item 8

The Board of Directors of your Company had at its meeting held on 25th February, 2003 appointed Mr. Ajay Khandheria as a Managing Director and Chief Executive Officer of the Company for a period of 3 years effective from 25th February, 2003 subject to your approval and also subject to such other approvals as may be necessary in this regards on the following main terms and conditions relating to remuneration of payment.

1. Salary : At the rate of Rs.1/- per month.**2. Perquisites:**

The said perquisites are classified into the following categories "A", "B" and "C".

Category – A**i. Medical Reimbursement :-**

Medical expenses incurred for Mr. Khandheria and his family will be reimbursed by the Company. This shall however be subject to a ceiling of Rs 50,000/- per year or Rs 1,50,000/- over a period of three years.

ii. Leave Travel Concession:-

For Mr. Khandheria and his family once in a year incurred in accordance with the rules of the Company.

iii. Personal Accident Insurance :-

Personal Accident Insurance of an amount, the premium of which shall not exceed Rs.5000/- per annum.

Category – B

Leave at the rate of 1 month for every 11 months service.

Category – C

Car provided for use for the Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on the telephone and use of car for private purposes shall be billed by the Company.

3. Minimum Remuneration:

In the event of loss or inadequacy of profits of the Company in any year, Mr. Khandheria shall be entitled to remuneration by way of salary and perquisites not exceeding the limits specified above.

No other Director of the Company except Mr. Ajay Khandheria is concerned or interested in the above resolution. The accompanying notice together with explanatory statement is and should be treated as an abstract of the terms and memorandum of interest under Section 302 of the Companies Act, 1956.

With a view to enable the Company to have an enlarged Authorised Equity base, it is proposed to increase its Authorised Share Capital to Rs.15,00,00,000 (Rupees Fifteen Crore).

In terms of the provisions of Section 94 of the Companies Act, 1956, the Authorised Capital of a Company can be increased with the approval of shareholders of the Company. Further, change in Authorised Capital of the Company would also require necessary alteration of the Memorandum and Articles of Association of the Company which can be effected by a special resolution of shareholders of the Company. Hence, your Directors commend the resolutions set out at item Nos. 9 and 10 of the accompanying notice for your approval.

The Board commends the resolution for acceptance by members. None of the Directors of the Company are concerned or interested in any manner in the said resolution.

Item 11

Presently the Company's securities are listed on the following 4 Stock Exchanges in India:

The Stock Exchange – Mumbai

The Delhi Stock Exchange Association Limited

Vadodara Stock Exchange Limited

Ahmedabad Stock Exchange Limited

With the networking of centres of the Stock Exchange, Mumbai, the members of the Company have access to online dealings in the securities of the Company across the country. A small number of members are located in the region where Delhi Stock Exchange Association Limited, Ahmedabad Stock Exchange Limited are situated and trading volume on the said Stock Exchanges in the Company's securities is negligible. Further the trading volume of the Company's securities on its Regional Stock Exchange viz. The Vadodara Stock Exchange – Vadodara is also very low. Hence, it is proposed to delist the Company's securities from these three Stock Exchanges. Such delisting will not adversely affect any investor including members located in the regions where the said Stock Exchanges are situated since they will continue to be able to trade on the Stock Exchange, Mumbai.

In accordance with the current SEBI regulations for voluntary delisting of the company's securities, delisting is permitted after obtaining members approval by way of a special resolution. Accordingly, it is proposed to pass a special resolution as set out in item No. 11 authorising the Board to delist the Company's securities from the three Stock Exchanges mentioned in the said resolution.

The Board commends the resolution for acceptance by members. None of the Directors of the Company are concerned or interested in any manner in the said resolution.

Items 9 & 10 :

The Present Authorised Capital of the Company is Rs.8,50,00,000 and its issued and paid-up capital is Rs.7,91,59,090.

Item 12

With liberalisation and opening up of the Indian Economy, the country's business environment has become increasingly competitive. It is, therefore, considered imperative that appropriate measures be adopted by the Company for attracting and retaining qualified, talented and competent personnel. An Employee Stock Option Scheme ("the ESOS" or "the Scheme") is being resorted to by many Indian Companies as a tool for this purpose. Internationally also the scheme has been widely accepted by the employees. The scheme is designed to foster a sense of ownership and belongingness amongst the employees by aligning their interests with those of the Company and its shareholders so as to enhance shareholder value. ESOS has the potential to provide an opportunity to employees to share in the Company's growth.

The Securities and Exchange Board of India (SEBI) has introduced a comprehensive set of regulations known as SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (the Regulations). Pursuant to the Regulations, the Company proposes to introduce an ESOS for the benefit of the permanent employees of the Company and its Directors (present and future) in accordance with the aforesaid Regulations issued by SEBI. The scheme will be under the superintendence of and be administered by the Compensation Committee of the Board, the majority of whose Members are Independent Directors. The Compensation Committee will formulate the detailed terms and conditions of the Scheme including:

- Number of options to be granted to any employee, and in the aggregate;
- Terms on which the options will vest;
- The conditions under which options vested in employees may lapse;
- The exercise period within which an employee should exercise the option, and lapsing of option on failure to exercise the option within the exercise period;
- The specified time period within which the employee shall exercise the vested options in the event of termination or resignation of the employee;
- 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;
- 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;
- The grant, vesting and exercise of option in case of employees who are on long leave;

- Procedure and mechanism for cashless exercise of options;
- Lock-in period for the shares issued pursuant to exercise of the options; and
- Any other related or incidental matters.

The salient features of the proposed ESOS are as under:

- a) The total number of Options to be granted

The total number of Options that may, in the aggregate, be granted under this ESOS shall not exceed 15 lakh equity shares.

- b) Identification of classes of employees entitled to participate in the ESOS

Persons who are "employees" of the company including directors, as defined in the Regulations for the time being in force, and as may be decided by the compensation committee from time to time.

The class of employees eligible for participating in the ESOS shall be determined on the basis of the grade of the employee, length of service, his role and contribution to overall performance of the Company, the performance of profit centre / division to which he belongs, merit of the employee, future potential contribution by the employee, sense of loyalty and / or such other criteria as may be decided by the Compensation Committee in its sole discretion from time to time.

- c) Requirement of vesting and period of vesting

Vesting of options may commence after a period of not less than one year from the date of grant. Vesting may occur in one or more tranches, subject to the terms and conditions of vesting, as may be stipulated by the Compensation Committee in its sole discretion.

- d) The Options shall, unless vested within a maximum period of four years from the date of grant (subject to fulfillment of the conditions of vesting, if any), lapse.

- e) Exercise Price or pricing formula

The Exercise price for the purpose of the grant of Options will be decided by the Compensation Committee at the time of the grant of Options to an employee/director and shall not be less than the par value of the Company's equity share. The Exercise price shall be calculated based on the weighted average of the daily market price of the Company's equity shares quoted on the Stock Exchange, Mumbai during such period as may be determined at the time of the grant by the Compensation Committee.