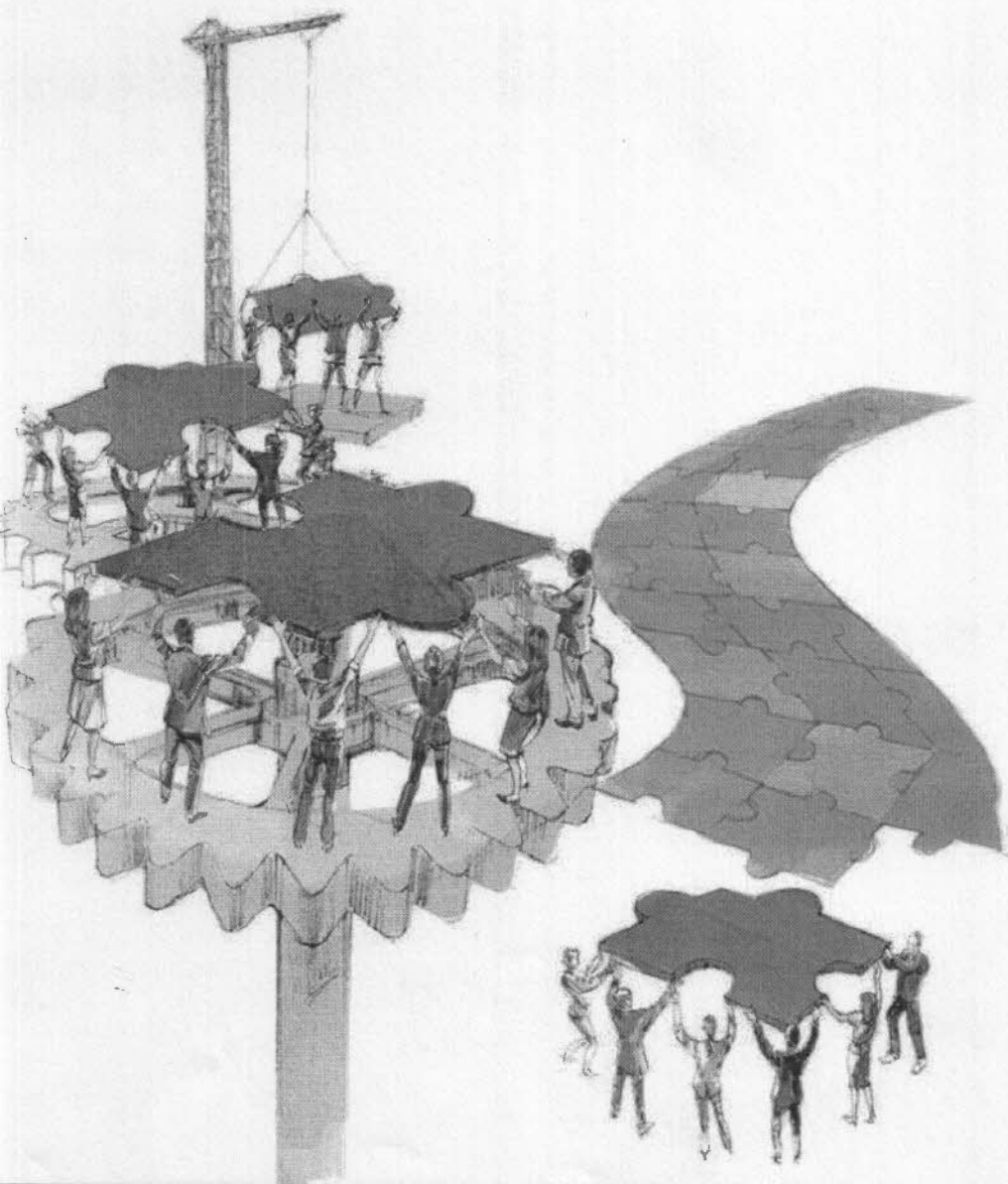


Kajaria Ceramics Limited

Kajaria Ceramics Employee Stock Option Plan 2015 | May, 2015



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For Kajaria Ceramics Limited

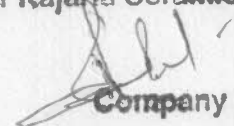

Company Secretary

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PART A: STATEMENT OF RISKS

All investments in shares or options on shares are subject to risk as the value of shares may go down or go up. In addition, employee stock options are subject to the following additional risks:

1 Concentration

The risk arising out of any fall in value of shares is aggravated if the employee's holding is concentrated in the shares of a single company.

2 Leverage

Any change in the value of the share can lead to a significantly larger change in the value of the option as an option amounts to a levered position in the share.

3 Illiquidity

The options cannot be transferred to anybody, except in the case of death, and therefore the employees cannot mitigate their risks by selling the whole or part of their options before they are exercised.

4 Vesting

The options will lapse if the employment is terminated prior to vesting. Even after the options are vested, the unexercised options may be forfeited if the services of the employee are terminated for cause as defined in Clause 18 – 'Termination of employment' of this plan.



PART B: INFORMATION ABOUT THE COMPANY

5 Profile of the company

Kajaria Ceramics is the largest manufacturer of ceramic/vitrified tiles in India. It has an annual aggregate capacity of 54.10 mn. sq. meters, distributed across seven plants – Sikandrabad in Uttar Pradesh, Gailpur in Rajasthan, four plants in Morbi in Gujarat and one at Vijayawada in Andhra Pradesh.

The motivating factor remains the zeal – the zeal to be the best, to be at the top and to achieve the highest echelons of excellence. The manufacturing units are equipped with cutting edge technology. Intense automation, robotic car application and a zero chance for human error are just few reasons why Kajaria remains at the top in the industry.

Founded 30 years ago with a single-minded vision, to be the best in providing tile solutions, Kajaria has since then grown stronger with its hard work, innovations and patronage from our discerning customers.

The Indian consumers' rapidly growing appetite for style and aesthetics is the inspiration behind every design of Kajaria Ceramics. Kajaria has today become a synonym for quality, service and innovation - not only in the domestic market but in the international market too.

Kajaria Ceramics has increased its capacity from 1 mn. sq. mtrs to 54.10 mn. sq. mtrs. in last 30 years and offers more than 1,200 options in ceramic wall & floor tiles, vitrified tiles, designer tiles and much more. These tiles come in a wide range of colours and textures to complement bathrooms, living rooms, corridors, study rooms & kitchen, born out of an inspired creativity of those who feel that rooms should be an extension of the beauty reflected. With an unparalleled commitment towards quality we have strived to adopt technologies and standards with the changing times.

Be it technology, research, design or quality, Kajaria has set its sight on all these factors adopting new production techniques in order to enhance the quality of its products. Due to creativity and design ability of our team, our design comprises both innovation and exclusivity.

Leveraging the two invaluable assets - the Kajaria brand and unparalleled, multi-layer distribution network - to expand the product bouquet to cater to the growing aspirations of the discerning Indian customers.



6 Abridged financial information

(Based on Consolidated Financial Statements)					(₹ in million)
	2009-10	2010-11	2011-12	2012-13	2013-14
Share Capital	147.17	147.17	147.17	147.17	151.17
Reserves	1746.23	2078.02	2673.54	3461.61	5140.34
Loan funds	2628.28	2879.68	2781.92	3201.66	2364.19
Gross Block	5435.47	7178.08	7826.60	9194.50	10235.02
Net Block (Fixed Assets)	3447.90	4914.92	5209.21	6199.68	6915.89
Capital work-in-progress	25.43	0.64	23.58	78.14	405.33
Investments	33.94	33.94	0.81	0.81	0.81
Current assets	2976.43	3152.48	3675.87	4196.88	4434.08
Current Liabilities	1413.49	2375.46	2590.96	2733.61	2974.87
Net Current Assets	1562.94	777.02	1084.91	1463.27	1459.21
Deferred tax liabilities	548.52	603.20	643.68	656.27	713.21
Revenue (Net Sales)	7355.36	9523.13	13115.31	15821.74	18387.42
Other Income and Operating Income	7.45	12.56	29.71	41.45	75.84
Material costs	3643.54	5375.78	6508.32	7197.83	8251.80
Power costs	1048.76	936.77	2106.80	3065.98	3716.95
Employee Cost	612.84	760.83	1071.85	1364.02	1726.38
Other manufacturing expenses	167.76	203.25	480.26	682.52	774.79
Admn & selling expenses	733.20	769.53	901.06	1075.98	1123.31
EBIDTA	1156.71	1489.53	2076.73	2476.86	2870.03
Interest	375.24	300.52	485.11	453.53	408.22
Depreciation	267.06	296.80	392.58	446.18	470.00
PBT	514.42	892.21	1199.04	1577.14	1991.81
Tax	155.90	285.28	380.56	498.78	678.31
PAT (Before minority interest)	358.51	606.93	818.48	1078.36	1313.50
Minority Interest	-	0.72	9.65	33.25	71.29
PAT (After minority interest)	358.51	606.21	808.83	1045.11	1242.21
Networth	1893.40	2225.19	2820.71	3608.78	5291.51
Capital Employed	5070.20	5726.52	6318.51	7741.90	8777.49
EPS (Basic) (₹)*	4.87	8.24	10.99	14.20	16.71
Book value (₹)*	25.73	30.24	38.33	49.04	70.01
Dividend (₹)*	1.00	2.00	2.50	3.00	3.50
Debt Equity	1.39	1.28	0.96	0.82	0.41
RONW / ROE (%)	20.40	29.44	32.06	32.51	27.91
ROCE (%)	16.98	22.09	27.96	28.89	29.06

*Face Value of ₹ 2/- per share.



7 Risk factors

The risks and uncertainties include, but are not limited to, risks and uncertainties regarding fluctuations in earnings rates, our ability to manage growth, intense competition in our areas of services including those factors which may affect our cost advantage, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price contracts, client concentration, our ability to manage our marketing & sales operations, reduced demand for our key focus areas, liability for damages on our products and services, withdrawal of governmental fiscal incentives, political instability, legal restrictions and general economic conditions affecting our industry.

Management Perception: Some of the risks are normal to the nature of industry in which the Company operates and some others are beyond the control of the Company.



8 Continuing disclosure requirement

The option grantee may be given access to copies of all documents that are sent to the members of the Company. This shall include the annual accounts of the company and the accompanying explanatory statements. However, the option grantee will not be entitled to attend and vote in the meeting.



PART C: SALIENT FEATURES OF THE SCHEME

This part contains the salient features of the employee stock option scheme of the company including the conditions regarding vesting, exercise, adjustment for corporate actions, and forfeiture of vested options.

9 Plan objectives

The objectives of the Kajaria Ceramics Employee Stock Option Plan 2015 (or the “Plan” or “Scheme”) are as follows:

- To unify the interests of the company personnel and shareholders in such manner that the employee would be motivated to take decisions in the interest of the shareholders (to integrate the personnel into the cadre of the company).
- To provide the employee with a productivity and performance-related incentive, thus raising the level of his capabilities and skills.
- Such program will facilitate the possibility of motivating and keeping the required high quality and numbers of human resources for the company.



10 Definitions and Interpretations

10.1 Definitions

In this document, the following expressions including their grammatical variations or cognate expressions shall, where the context so admits, have the following meaning:

- **Applicable Law** means the legal requirements relating and as applicable to Employee Stock Options, including, without limitation, the Indian Companies Act 2013, as amended, Securities and Exchange Board of India Act, 1992, as amended, the guidelines and regulations issued by the Securities and Exchange Board of India including the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (“SEBI Guidelines”) and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and all relevant tax, securities, exchange control or corporate laws of India or any relevant jurisdiction or of any stock exchange on which the shares are listed or quoted.
- **Auditors** mean the auditors as approved by the general assembly.
- **Board/ Board of Directors** means the Board of Directors of the Company for the time being and re-constituted and/or re-structured from time to time during the existence of this Plan
- **Bulletin**: The personnel incentives program through the granting of the company shares purchase option right, as approved by the board of directors of the company, in addition to any amendments made thereto
- **Change in Capital Structure** means a change in the capital structure of the company as a result of reclassification of shares, splitting up of the face value of shares, sub-division of shares, issue of bonus shares, issue of rights shares, conversion of shares into other shares or securities and any other change in the rights or obligations in respect of shares
- **Common Stock** means the equity shares of the Company and includes any securities convertible into equity shares
- **The Act** means the Indian Companies Act for the time being in force and as amended from time to time
- **Company** means Kajaria Ceramics Limited, incorporated in India on 20 December 1985, its successors and assigns.
- **Company Policy/ Terms of Employment** means the Company’s policies for employees and the terms of employment as contained in the employment letter and the company handbook, which includes provisions for securing confidentiality, non-compete and non-poaching of other employees and customers.



- **Compensation Committee** shall mean the 'Compensation Committee' constituted and set up by the Company under Section 5 of this Plan
- **Corporate Action** means and includes one of the following actions:
 - the merger, de-merger, spin-off, consolidation, amalgamation, sale of business or other reorganization of the company (except to a subsidiary) in which all the shares are converted into or exchanged for :
 - a different class of securities of the company ; or
 - any securities of any other issuer ; or
 - Cash ; or
 - Other property
 - The sale, lease or exchange of all or substantially whole of the assets/ undertaking of the company to any other Company or entity (except the subsidiary)
 - The adoption by the shareholders of the Company of a scheme of liquidation, dissolution or winding up
- **Contract** The contract that regulates the relationship between the company and the owner following the exercise of the option right according to the program.
- **Director** means a member of the Board of the Company.
- **Disability** shall mean "Disability" as defined in any applicable agreement between the grantee and the Company or if there is no such agreement or Disability is not defined therein, then a grantee's becoming physically or mentally incapacitated so that he is therefore reasonably expected to be unable for a period of three (3) consecutive months or for an aggregate of six (6) months in any twelve (12) month period to perform his duties to the Company
- **Eligibility criteria** means the criteria as may be determined from time to time by the Managing Director for granting the employee stock options to the employees.
- **Employee** means:
 - a permanent employee of the company working in India or out of India; and
 - an employee as defined in sub-clauses (a) or (b) of a subsidiary, in India or out of India, or of a company of the company

However, it shall not include any employee who is a promoter or belongs to the promoter group or a Director who either by himself or through his relatives or through anybody corporate, directly or indirectly, holds more than 10% of the outstanding equity shares of the Company.



- **Employer Company** means the Company.
- **Exercise** in relation to options means, the tendering by an employee, of an application for the issue of shares, pursuant to the options vested in him under the Grant and the Plan accompanied by the Exercise Price payable for the shares
- **Exercise Date** means the date on which an employee of the Company elects to exercise the options
- **Exercise Period** in relations to the Options means the period commencing from the date of Grant and ending on the date after which Options cannot be exercised
- **Exercise Price** means the price payable by the employee for exercising the Option granted to him in pursuance of this Plan
- **Fair Market Value** means, as of any specified date, means the latest available closing price, prior to the date of the meeting of the Board of Directors in which options are granted/ shares are issued, on the stock exchange on which the shares of the company are listed. In the event of non-trading, the average closing price of the three preceding working days should be considered. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume during the aforesaid period should be considered. If the Common Stock is not publicly traded at the time a determination of its value is required to be made hereunder, the determination of its Fair Market Value shall be made by the Compensation Committee based on the advice of an independent appraiser
- **Grant** means, individually or collectively, issue of Options to employees under the Plan
- **Grantee** means an Employee who has been granted Stock Options pursuant to the Plan where the context so requires includes his/her legal heirs and/or designated beneficiary
- **Grant Date** means the date on which Stock Options are granted to an eligible Employee pursuant to the Plan
- **Company** means a company as defined under the Companies Act 2013 and as altered from time to time.
- **Managing Director.** The managing director of the company appointed from time to time.
- **Market value.** The closing price at the Stock Exchange on the preceding working day. In the event of non-trading, the average closing price of the three preceding working days.
- **Net option right amount per share upon exercise.** The difference, if any, between the share's market value on the date of exercise and the purchase price upon crossing out of the employee from the program
- **Option or Stock Option** means a right but not an obligation granted to an Employee to subscribe for shares or any Resultant Shares of the Company in pursuance of the Plan at a pre-determined price and upon such terms and conditions as may be specified in the bulletin



- **Option Agreement** means a written agreement entered into between the Company and an Employee with respect to an Option, a Grant to such employee, and on such terms and conditions as stipulated in this Plan and as may be suggested/ recommended by the Compensation Committee from time to time
- **Option Value** is the supposed amount of the option granting right in such manner as to reflect the benefiting by the option right owner upon increase in the share price on the Stock Exchange in the long-term. The said amount is affected by several factors, namely:
 - Time of granting of the option right.
 - Period of granting of the option right
 - Price upon exercise
 - Number of granted shares
 - Changes in the capital
- **Plan** means the **Kajaria Ceramics Employee Stock Option Plan 2015** as set out herein and as amended or modified from time to time
- **Promoter** means:
 - The person or persons who are in overall control of the company
 - The person or persons who are instrumental in the formation of the company [or program pursuant to which the shares are offered to the public]
 - The person or persons named in the offer document as promoter(s). Provided that a director or officer of the company if he is acting as such only in the professional capacity will not be deemed to be a promoter

Explanation: Where the promoter of a company is a body corporate, the promoter of that body corporate shall also be deemed to be a promoter of the company

- **Purchase price:** The amount to be paid by the option right owner to the company on the date of exercise in return for exercise of the option right.
- **Resultant shares** means the equity shares issued in lieu of shares of the Company on any Change in Capital Structure or on any Corporate Action as mentioned in this Plan
- **Retirement** means retirement as per the rules of the Company
- **Share** means fully paid equity shares of the company and the securities convertible into equity shares and shall include American Depository Receipts (ADR), Global Depository Receipts (GDR), or other depository receipts representing underlying equity shares or securities convertible into equity shares and where the context so requires shall include the Resultant shares



- **Strategic Sale** refers to the sale of hundred percent of the equity of the company in its entirety and/or any event resulting from Corporate Action undertaken by the Company
- **Tenure or Grant Tenure** means the period from approval of grant to Closing Date, during which the Grant is effective
- **Unvested Option** means an option in respect of which the relevant vesting conditions have not been satisfied and as such, the option grantee has not become eligible to exercise the option
- **Vested Option** means an option in respect of which the relevant vesting conditions have been satisfied and the option grantee has become eligible to exercise the option
- **Vesting** means the process by which the employee is given the right to apply for shares of the Company against the option granted to him in pursuance of the Plan
- **Vesting Conditions** means the conditions subject to which the option granted would vest in an option grantee
- **Vesting period** means the period during which the vesting of the option granted to the employee in pursuance of the Plan takes place
- **Working Day** means the day on which recognized stock exchange is open for business

The definitions as given in this Section are for the purposes of interpretation of this Plan only and should not be used for any other purpose.



10.2 Interpretations

In this document, unless otherwise stated or intention appears:

- The singular includes the plural and vice versa
- The word person includes an individual, a firm, a body corporate or any other authority
- Any word or expression importing the masculine or feminine genders only shall be taken to include all these genders

10.3 Section Headings

The section headings are for information only and shall not affect the construction of this document.

10.4 References

- A reference to a clause or schedule is respectively a reference to a clause or schedule of this document. The Schedules, if any, to this document shall for all purposes form part of this document.
- Reference to any Act, Rules, Regulations, Statutes or Notifications/Circulars/ Press Notes shall include any statutory modification, substitution or re-enactment thereof



11 Implementation

The Plan shall be implemented by the Compensation Committee under the policy and framework laid down by the Company and/or Board of Directors of the Company, in accordance with the authority delegated to the Compensation Committee in this regard from time to time and subject to the amendments, modifications and alterations to the Plan made by the Company and/or Board of Directors in this connection.

Upon the recommendation of the managing director, the board of directors shall approve the application of the option right program year by year, based upon the development of the performance of the company in terms of operating profits.

The issuance of shares will be under the guidance, advice and direction of the Compensation Committee constituted under this Plan.



12 Effective date of the plan and tenure of Grant

12.1 Effective dates

The Plan shall be deemed to have come into force on such date as may be decided by the Board of Directors of the Company subject to the approval of shareholders of the company in general meeting.

12.2 Termination

If any Stock Options granted under the Plan are terminated under the provisions of Section 25, such options shall be available for further award under the Plan.

12.3 Tenure

The tenure of each grant shall include the period from the date of approval of the grant to the closing date of the grant. Any stock options, which remain unexercised after the tenure of the grant, would automatically be deemed to be lapsed and/or ineffective.



13 Administration and Compensation Committee

13.1 Administration of plan

The plan shall be administered by the Company with guidelines from Compensation Committee, or outlined in section 11 above and will be in compliance with the terms of the plan and applicable law, as would be prevailing from time to time and in addition to other express powers and authorizations conferred by the plan and the Compensation Committee.

13.2 Constitution of the Compensation Committee

The Board of Directors, subject to the approval of shareholders in general meeting, constitute a separate Committee by the name of 'Compensation Committee'.

The Compensation Committee shall consist of such number of persons as the Board of Director shall deem fit. The Compensation Committee, in exercise of its powers, may require any information from the Board/Company and/or seek any assistance from the Board/ Company and/or any employee of the Company as it may deem fit to, fully and effectively discharge its duties and responsibilities.

13.3 Powers

The Powers of, the Compensation Committee, inter alia, include the power to formulate:

- ESOP plans, get the same approved from Board and implement them
- the quantum of option to be granted under an ESOP per employee and in aggregate;
- the conditions under which option vested in employees may lapse in case of termination of employment for misconduct;
- the exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period;
- the specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee;
- determination of the Exercise Price
- 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 corporate actions such as rights issues, bonus issues, merger, sale of division and others. In this regard following shall be taken into consideration by the Compensation Committee:
 - the number and the price of ESOP shall be adjusted in a manner such that total value of the ESOP remains the same after the corporate action;



- for this purpose global best practices in this area including the procedures followed by the derivative markets in India and abroad shall be considered;
- the vesting period and the life of the options shall be left unaltered as far as possible to protect the rights of the option holders.
- the grant, vest and exercise of option in case of employees who are on long leave; and
- the procedure for cashless exercise of options, if applicable

The Compensation Committee shall frame suitable policies and systems to ensure that there is no violation of:

- Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014
- SEBI (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 (as amended up to 6th September 2013)

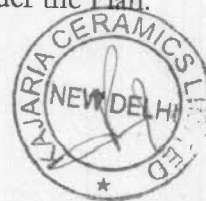
by any employee.

The members of the Compensation Committee and their powers and functions can be specified, varied, altered or modified from time to time by the Board of Directors subject to such rules and regulations as may be in force. The Board may further provide that the Compensation Committee shall exercise certain powers only after consulting the Trust and/ or Board of Directors of the Company, as the case may be.

13.4 Liability of Members of the Compensation Committee

No member of the Compensation Committee shall be personally liable for any decision or action made in good faith with respect to the Plan.

The Compensation Committee members shall, however, abstain from participating in and deciding matters that directly affect their individual ownership interests under the Plan.



14 Grant of Options

14.1 Grant Limits

- Compensation Committee may from time to time make Grants to one or more Employees, determined by it to be eligible for participation in the Plan in accordance with the provisions of Section 22 of the Plan. Shares shall be deemed to have been issued under the Plan only to the extent actually issued and delivered pursuant to a Grant. The aggregate number of shares which may be issued under the Plan shall be subject to adjustment in the same manner as provided in this Plan with respect to shares of Common Stock subject to Options then outstanding.
- The managing director may recommend to the board and the compensation committee to grant any employee, other than himself, who satisfies the conditions of the granting of the option right, the right of purchase of a number of shares under this program, except for the option right granted to the managing director himself, which right shall be included in the powers of the chairman of the board of directors.
- The deserving employee shall be granted the option right on the basis that the amount of the quantity of shares granted for each annual period shall not exceed the total annual compensation of the employee for the said period. The board of directors may also exclude the Managing Director from such grant. The Managing Director may add any employee that he may deem suitable to the program.
- The Grant shall be at such price as may be determined by the Compensation Committee and shall be specified in the Grant.
- The Grant shall be in writing and shall specify the number of options granted, the price payable for exercising the options, the date/s on which some or all of the Options and the shares acquired under the Grant shall be eligible for vesting, fulfillment of the performance and other conditions, etc, if any, subject to which vesting shall take place and other terms and conditions thereto.
- The option shall not be transferable and can be exercised only by the employees
- The amount of the total option rights granted shall not, at any time, exceed 5% as a maximum of the issued capital of the company, for the first phases of application.
- The option right that is abandoned or expires without being exercised by the option right owner in accordance with this program shall not be taken into consideration upon calculation of the maximum provided for in the preceding paragraph.



14.2 Stock offered

The shares to be offered pursuant to a Grant shall be from the authorized share capital of Kajaria Ceramics Limited. Shares subsequently purchased by the Company from Grantees would be available for grant of further Stock Options within the Plan tenure.

14.3 Structure of the plan

The Company has set aside **5,31,000** Shares of the authorized capital as on the Grant Date for the purpose of this Plan. Each Option entitles the Grantee thereof to apply for and be allotted one equity share of the Company at the Exercise Price.

14.4 Grant Plan

All employees who are eligible as per Section 22 of the Plan shall be granted options on the date they become eligible under the Plan. However, the Compensation Committee has the sole discretion in granting options prior to the employees meeting all the eligibility criteria given in Section 22.

14.5 Grant Criteria

All eligible employees will be granted options by the Compensation committee on the basis of some or all of the following criteria, as and when they apply:

- Level and role of the employee;
- Tenure with the organization;
- Such other factors as Compensation Committee may decide from time to time on the recommendation of the Managing Director, including qualifications, contribution towards the growth of the Company and other functional and managerial factors



15 Vesting of Options

15.1 Vesting plan

The vesting period for the grant has been decided by the management.

For eligible employees as identified by the Compensation Committee and at their sole discretion, vesting of the options shall take place over a maximum of 5 (five) years from the date of grant.

The employee shall return the signed Option right certificate/ agreement within a week to the Company to notify his/ her acceptance for the same.

Notwithstanding anything to the contrary in this plan, the Compensation Committee may be entitled to in its absolute discretion, to vary or alter the Vesting Date from employee to employee or class there, as it may deem fit.

15.2 Exercise of unvested options

The Compensation Committee in its absolute discretion may permit the Options granted, including Options, which have not vested to be exercised within such time and on such terms and conditions as it may determine.



16 Exercise of Options

16.1 Exercise plan

There shall be no lock-in after the options have vested. The Vested options would be eligible to be exercised from the Vesting Date itself. The option right owner shall exercise the options before the end of eight years from the Grant Date. The Shares arising out of Exercise of Vested Options would not be subject to any lock-in-period after such Exercise, except as required by applicable law underwriters in the event of an Initial Public Offering of the Company's Shares.

Notwithstanding any provisions to the contrary in this Plan, the Options must be exercised before the end of the tenure of the plan.

16.2 Exercise price/ Grant price

The Exercise Price would be decided at the Compensation Committee's sole discretion. Such exercise price will be intimated to the eligible employee at the time of grant of options to them.

Provided that, a Company may reprice the Options which are not exercised, whether or not they have been vested, if the ESOP Plan were to be rendered unattractive due to fall in the price of the Shares in the market. However, the Company will ensure that such repricing should not be detrimental to the interest of the employees and the approval of the shareholders of the Company in general meeting has been obtained for such repricing.

16.3 Exercise period

The exercise period for the Options granted to an Employee would start from the Grant Date and continue till the day of the first General Assembly of Kajaria Ceramics Limited after eight years from the Grant Date.

The option right owner shall also have the right to defer the decision of exercise of the purchase right for both the periods to any time prior to the end of the exercise period, after which the options shall lapse.

16.4 Other aspects

- Notwithstanding anything contained elsewhere in the Plan, the Compensation Committee and/or the Board may, if the Exercise of Options within the Exercise period, is prevented by any law or regulation in force, defer or refuse to permit the Exercise of Options till such time as it is prohibited by the applicable laws or regulations and in such an event, the Company shall not be liable to pay any compensation or similar payment to the Employee for any loss suffered due to such refusal



- Provided further, that the Board shall have the power and be and is hereby authorized to cancel all or any of the Options granted under the Plan if so required under any law for the time being in force



17 Exit plan

17.1 Whilst in employment

In event of an IPO, the employee will be free to sell his Shares in the open market, subject to any holding restrictions by SEBI, if any, at the time of the then applicable law.

In event of a Strategic Sale, all Vested Options of the employee will be exited in the currency of the transaction (cash or equity swap, as the case may be). With respect to Unvested Options, they will be forfeited by the company.

In event of absence of the above two exit Options, an employee can exit by selling his Shares to a third party subject to the following order of right to refusal to purchase the shares at Fair Market Value or at such price as may be determined by the Compensation Committee:

- First right of refusal will remain with the Company or the purchaser of the Company
- Second right of refusal lies with Promoter Group
- Third right of refusal lies with other employees
- In case of refusal from all the above parties the employee can sell the Shares to any third party

17.2 Whilst not in employment

- Until an IPO, the ex-employee who has Exercised his Options shall be free to sell his Shares to a third party subject to the right of first refusal lying with the Company and/or the Promoters and/or any other employee of the Company at the Fair Market Value and Exercise of right for first refusal shall not exceed a period of 30 days.
- In event of an IPO, the ex-employee will be free to sell his Shares in the open market, subject to any holding restrictions by SEBI, if any, at the time of the then applicable law.
- In event of a Strategic Sale, all Exercised Options of the ex-employee will be eligible for exit in the currency of the transaction (cash or equity swap) as for existing employees of the Company.



18 Termination of employment

If a Grantee's employment (or other service) with the Company terminates:

- For Cause, then all Options, vested (but not Exercised) or unvested, stand cancelled.

Cause shall mean, as determined by the Compensation Committee, which include but not limited to, (i) the engaging by the Employee in willful, reckless or grossly negligent misconduct which is determined by the Compensation Committee to be detrimental to the interest of the Company or any of its affiliates, monetarily or otherwise, or (ii) the Employee's pleading guilty to or conviction of a felony (iii) theft, sexual harassment, fraud, misfeasance, breach of trust or wrongful disclosure of any secret or confidential information about the Company to any third party, or (iv) employment of the Employee in any other organization or provision of services by the Employee for any other organization while employed with Kajaria Ceramics Limited.
- Due to voluntary resignation on the part of the Grantee, then all Options, vested (but not Exercised) or unvested, stand cancelled as on the date of resignation by the employee. All Unvested Options would be forfeited by the Company.
- On completion of his/ her employment (or other service) due to Retirement, superannuation or otherwise, then the Grantee shall have right to Exercise the Options that have vested prior to separation from the Company. The employee must Exercise the vested Options within three months in case of completion of the period of contract of his employment (or other service). All Unvested Options will stand cancelled as on the date of such Retirement, unless otherwise determined by the Compensation Committee whose decision will be final and binding.
- In the event of abandonment by an employee, all Options, vested (but not Exercised) or unvested, stand cancelled.
- In case of duly approved long leave of the Employee, the Vesting Period shall be increased by the period of such long leave taken by the Employee.
- In event of termination of employment without a cause, all Options, vested (but not Exercised) or unvested, stand cancelled as on the date of such termination
- For reasons other than those referred above in Section 18 or Section 19, the Compensation Committee will decide whether the vested options on the date of separation can be exercised by the employee or not, and such decision shall be final.



19 Death and Total & Permanent Disability

If a Grantee dies or becomes totally and permanently disabled while an employee of the Company, the granted Stock Options shall vest and can be exercised as below:

- In the event of death of an Employee while in employment with the Company, all the Options granted to him till such date and lying unvested shall vest in the Beneficiary/ nominees of the deceased Employee immediately on that day. All the Vested Options shall be permitted to be exercised within a period of 24 months from the date of death of the Employee or the expiry of the Exercise Period, whichever is earlier. Any Vested Options not Exercised within this aforesaid period shall lapse and stand forfeited and cancelled at the end of the aforesaid period.
- In the event that the termination of an Employee's employment with the Company is as a result of total or permanent incapacity (i.e., incapacity to engage in work as a result of sickness, mental disability or otherwise or by reason of accident), all the Options granted to him till such date of permanent incapacitation and lying unvested, shall vest in him on that day. All the Vested Options shall be permitted to be exercised within a period of 24 months from the date of permanent incapacitation or the expiry of the Exercise Period, whichever is earlier. Any Vested Options not Exercised within this aforesaid period shall lapse and stand forfeited and cancelled at the end of the aforesaid period.



20 Non Assignability

The Option shall not be transferable or assignable by the Employee, otherwise than by will or the laws of descent and distribution and the Option shall be exercisable, during the Employee's lifetime, only by him or, during periods of legal disability, by his legal representative/inheritor. No Option shall be subject to execution, attachment or similar process. The Options granted shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner. . If the option right owner tries to transfer or abandon or dispose of the option right or the rights relating thereto whether voluntarily or obligatorily, the said right(s) shall expire immediately.



21 Rights of an employee in stock

21.1 Shareholder rights

Neither Employee, nor his successor in interest, shall have any of the rights of a shareholder of the Company with respect to the shares for which the Option is exercised until such shares are issued by the Company.

21.2 Change of Employment within Company

Except as may be otherwise provided in this Plan, the Option granted hereunder shall not be affected by any change of employment so long as the employee continues to be employed by the Company or a subsidiary of the Company.

21.3 Terms and conditions of Shares

All Shares acquired under the Plan will rank pari passu with all other Shares of the Company for the time being in issue. Dividend in respect of Shares allotted on Exercise of the Options shall be payable from the date of allotment.



22 Eligibility

A Stock Option Grant made pursuant to the Plan may be Granted only to an individual who, at the time of Grant,

- Is an employee of the Company and/or
- Has been identified as a key resource by the Compensation committee based on factors such as performance, tenure and level.

The Compensation committee however is authorized to change the eligibility criteria from time to time, subject to approval of the Board.

Each Grant shall be evidenced by a written instrument duly executed by or on behalf of the Company.

An employee who is a Promoter or belongs to the Promoter Group shall not be eligible to participate in the Plan.

A Director who either by himself or through his relative(s) or through anybody corporate, directly or indirectly holds more than 10% of the outstanding equity Shares of the company shall not be eligible to participate in the Plan.



23 Stock Option/ Grants

23.1 Stock Option Agreement

Each Option shall be evidenced by an Agreement between the Company and the Grantee, which shall contain such terms, and conditions as may be approved by the Compensation Committee. Each Agreement shall specify the effect of termination of employment, total and permanent disability, retirement or death on the exercisability of the Option and such other terms and conditions as the Compensation Committee may deem necessary.

Under each Agreement, a Grantee shall have the right to appoint any individual or legal entity in writing as his nominee under the Plan in the event of his death / total and permanent disability. Such designation may be revoked in writing by the Grantee at any time during the time of employment and a new nominee may be appointed in writing on the form provided by the Compensation Committee for such purpose. Such nominee shall be the only legal representative recognized by the Company/ Compensation Committee as the inheritor of the Grantees option to the exclusion of all others.

23.2 Option period

The term of each Option shall be as specified by the Compensation Committee at the Grant Date and shall be stated in the Agreement; provided, however, that an Option may not be exercised after the end of the tenure of the grant. The option period for the Kajaria Ceramics ESOP 2015 as specified by the Compensation Committee is 8 years from the Grant Date.

23.3 Limitations on Exercise of Option

Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Compensation Committee and as permissible under the terms of the Plan, which shall be specified in the Agreement evidencing the Option. An Option shall not, however, be exercised for fractional shares.



24 Change in Capital Structure or Corporate Action

Except as hereinafter provided, a Grant made shall be subject to adjustment, by the Compensation Committee, at its discretion as to number and price of Options or Shares, as the case may be, in the event of 'Change in Capital Structure' or a 'Corporate Action' as defined in this Plan.

The existence of the Plan and the Grants made hereunder shall not in any way affect the right or the power of the Board of Directors or the shareholders or the Company to make or authorize any 'Change in Capital Structure' or any 'Corporate Action' including any issue of shares, debt or other securities having any priority or preference with respect to the Shares or the rights thereof, and with respect to pricing of the shares (shares may be issued at par or at any price as may be decided by the Board of Directors or the Company which may be lower than the price at which stock option is / will be granted to the Employees, from time to time).

If there is a 'Change in the Capital Structure of the Company' before the Options granted under this Plan are exercised, the Employee shall be entitled on exercise of the Options, to such number of Resultant Shares to which he would have been entitled as if all the Options not exercised by him had been exercised by him before such 'Change in the Capital Structure' of the Company had taken place and the rights under the Options shall stand correspondingly adjusted.

The Shares in respect of which the Options are granted, are Shares as presently constituted. But if and when, prior to the expiry of the Exercise Period there is a 'Change in the Capital Structure' of the Company, the number of Shares with respect to which the Options may thereafter be exercised shall, in the event of:

- An increase in the number or Resultant Shares, be proportionately increased, and the Exercise Price, be proportionately reduced.
- A reduction in the number of Resultant Shares be proportionately reduced, and the Exercise Price, be proportionately increased.

Provided further that in case the provisions of applicable law restrict/prohibit the issue of shares at a discount to its par value, the Exercise Price shall not be less than the amount as prescribed under such law.

In the event of 'Corporate Action', the Compensation Committee, at least seven days prior to any 'Corporate Action' or thirty days thereafter, acting in its absolute discretion with or without the consent or approval of the Employee, as it may deem fit, shall in respect of the outstanding Options act on any of the following alternatives:

- Provide that on any exercise of Options hereafter, the Employee shall be entitled to the Shares and / or Resultant Shares as if the Employee had been a Holder of the Shares on exercise of the Options.
- Make such adjustments to the Options outstanding to reflect the 'Corporate Action', as may be necessary,



- Require the mandatory surrender to the Company, by all or some of the Employees, of all or some of the outstanding Options, irrespective of whether, the Options, have vested or not, as on that date, and in such an event the Compensation Committee shall pay such Employees an amount in cash or otherwise, per Option, as the case may be, of the 'Change in Control Value' after deducting the balance Exercise Price payable, if any.



25 Amendment or Termination of Plan

The Board of Directors in its absolute discretion may from time to time amend, alter or terminate the Plan or any Grant or the terms and conditions thereof provided, that no amendment, alteration or termination in any Grant previously made may be carried out, to the extent possible, which would impair or prejudice the rights of the Employee without the consent of the concerned Employee.

Further, under the SEBI Guidelines, the Company may by special resolution in a general meeting vary the terms of the ESOP offered pursuant to an earlier resolution of the shareholders but not yet Exercised by the employee provided that it is not prejudicial to the interests of the option holders.

Without prejudice to the above, the Board of Directors, without any reference to or consent of the Employee concerned, amend the Plan or Grant or any Agreement to comply with any laws, regulations or guidelines, which is or may hereinafter, become applicable to this Plan.



26 Listing

The shares arising pursuant to the Kajaria Ceramics ESOP 2015 shall be listed immediately upon exercise in any recognized stock exchange where the securities of the Company are listed subject to compliance with applicable law. Further, the shares arising after the IPO, out of options granted under the Kajaria Ceramics ESOP 2015 framed prior to the IPO shall be listed immediately upon exercise in all the recognized stock exchanges where such equity shares are listed subject to compliance with the ICDR Regulations, and Clause 11 of the SEBI Guidelines.

In terms of Clause 12(1) of the SEBI Guidelines, prior to grant of any further options under the Kajaria Ceramics ESOP 2015, the plan shall be ratified by the shareholders of the Company in general meeting subsequent to the listing of its equity shares pursuant to the IPO. Further, no changes shall be made in the terms of options issued under the Kajaria Ceramics ESOP 2015, whether by repricing, change in vesting period or maturity or otherwise, (other than any adjustments for any corporate actions made in accordance with the SEBI Guidelines), unless prior approval of the shareholders in general meeting have been taken for such change.

27 Others

27.1 No right to a Grant

Neither the adoption of the Plan nor any action of the Compensation Committee shall be deemed to give an Employee any right to be granted an Option to purchase Common Stock, to receive a Grant or to any other rights hereunder except as may be evidenced by an Option Agreement duly executed on behalf of the Company, and then only to the extent of and on the terms and conditions expressly set forth therein.

27.2 No Employment Rights Conferred

Nothing contained in the Plan or in any Grant made hereunder shall (i) confer upon any Employee any right with respect to continuation of employment with the Company, or (ii) interfere in any way with the right of the Company to terminate his or her employment at any time.

27.3 No Restriction of Corporate Action

Nothing contained in the Plan shall be construed to prevent the Company from taking any corporate action which is deemed by the Company to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any future Grant under the Plan. No



Employee, beneficiary or other person shall have any claim against the Company as a result of such action.

27.4 Tax deduction at source

The Company shall have the right to deduct, in connection with all Grants, any taxes, if any, required by law to be deducted at source and to require any payments necessary to enable it to satisfy such obligations.

Upon giving not less than 07 days' notice to the employee to the amount of tax, the Company shall be empowered to sell such number of Shares as would be necessary to discharge the obligation in the respect of tax deduction at source and appropriate the proceeds thereof on behalf of the employee.

27.5 Confidentiality

The Employee shall ensure complete confidentiality in respect of all documents, matters and discussions in relation to the Plan, Grant, the Option Agreement or any connected matter. Any violation may result in cancellation of Grant or compulsory retransfer of Shares to a nominee as the Compensation Committee may deem fit without prejudice to the other action which may be taken in this regard.

27.6 Insider Trading

The Employee shall ensure that there is no violation of:

- Insider Trading Regulations of the Country and/or the recognized stock exchange on which the shares of the Company are listed.
- Other applicable restrictions for prevention of Fraudulent and/or Unfair Trade Practices relating to the Securities Market.

The Employee shall keep the Company, the Board and the Compensation Committee, fully indemnified in respect of any liability arising for violation of the above provisions.

27.7 New Plans

Nothing contained in the Plan shall be construed to prevent the company directly or through any trust settled by Company, from implementing any other new Employee Ownership Plan which is deemed by the Company to be appropriate or in its best interest, whether or not such other action would have any adverse impact on the Plan or any Grant made under the Plan.



27.8 Issues

In respect of any issues arising in respect of the Plan, the decision of the Board and/or Compensation Committee shall be final and binding on all concerned.

27.9 Information to Employees

Grantees under the Plan shall receive financial statements annually regarding the Company during the period the Options are outstanding.

27.10 Any outflow under ESOP scheme

Any outflow for the company including but not limited to Perquisite Value Tax (PVT) etc., as applicable in present or in future under this ESOP scheme shall be recoverable from the concerned employee.

27.11 Governing Law

The Plan shall be construed in accordance with and subject to the laws of Republic of India and other applicable laws. The shares issued pursuant to this plan shall be governed by the Corporate and Securities Laws of the India and in a case where the Shares are listed on a stock exchange in a country other than India, the laws of the country/ stock exchange in which the Shares are listed shall also apply.

The courts at New Delhi shall have the exclusive jurisdiction.

AS ADOPTED BY THE SHAREHOLDERS AS OF 1st May, 2015.

