

FORTIS MALAR HOSPITALS LIMITED
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Malar Hospitals Limited

Malar Employee Stock Option Plan 2008

Contents

PART A	STATEMENT OF RISKS	1
PART B	INFORMATION ABOUT THE COMPANY	2
PART C	SALIENT FEATURES OF THE SCHEME	3



V. Vignesh
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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 leveraged position in the share.

3 Illiquidity

The options cannot be transferred to anybody, 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 employee is terminated for gross misconduct.

Malar Hospitals Limited

V. Vigneshwaran *for and on behalf of*



PART B: INFORMATION ABOUT THE COMPANY

5 Business of the company

5.1 Introduction

Malar Hospitals Limited, was incorporated in 1989, under the Companies Act, 1956 and has its registered office at 52, First Main Road, Gandhi Nagar, Adyar, Chennai- 600 020.

Malar Hospitals Limited was established in 1989 and promoted by Dr. S Ramamurthy and Dr. (Mrs.) Nithya Ramamurthy, along with a group of medical practitioners.

Malar Hospitals Limited was taken over by the Fortis Group in February, 2008 and presently the hospital runs under the Fortis Network hospitals.

MHL runs a 180 bed multi-speciality hospital in Chennai. The hospital has various departments including intensive care unit, neurology & neuro surgery, nephrology, trauma care & orthopaedic surgery, neonatal unit, obstetrics & gynaecology, endoscopy, radiology & imaging sciences, microbiology, ophthalmology, plastic & re-constructive surgery centre, pathology & biochemistry, ENT & oto - laryngology, dental & orthodontic centre along with a heart foundation.

6 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, the success of the companies in which the Company has made strategic investments, 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.

7 Continuing disclosure requirement

The option grantee would be entitled to receive copies of all documents that are sent to the members of the company. This shall include the annual accounts of the company as well as notices of meetings and the accompanying explanatory statements. However, the option grantee will not be entitled to attend and vote in the meeting.

Malar Hospitals Limited

V. Vignesh Kumar



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.

8 Section 1: Plan objectives

The objectives of the Malar Employee Stock Option Plan 2008 are as follows:

- Link personal wealth creation with organizational wealth creation
- Retaining, attracting and motivating talent
- Rewarding high potential employees

9 Section 2: Definitions and Interpretations

9.1 Definitions

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

- **Board/ Board of Directors** means the Board of Directors of the Company
- **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.
- **Closing Date** of a grant shall mean 8 years from date of vesting of options or finishing of all stocks allocated for employee stock options, whichever is earlier.
- **The Act** means the Companies Act, 1956 for the time being in force and as amended from time to time.
- **Shares** means the equity shares of the company and the securities convertible into equity shares and where the context so requires shall include the Resultant shares.
- **Company** means Malar Hospitals Limited, incorporated in India on 13th April 1989 having its registered office at 52, First Main Road, Gandhi Nagar, Adyar, Chennai – 600 020, its successors and assigns.
- **Remuneration Committee or Committee of Directors** shall mean the 'Remuneration Committee' or "Compensation Committee" constituted and set up by the company under Section 5 of this Plan. The compensation committee shall be a committee of the board of directors consisting of a majority of independent directors

Malar Hospitals Limited

V. Vignesh

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- **Disability shall mean** grantee 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 in the Company.
- **Employee means:**
 - (a) a permanent employee of the company working in India or out of India; and
 - (b) a director of the company, whether a whole time director or not;
 - (c) an employee as defined in sub-clauses (a) or (b) of a subsidiary, in India or out of India, 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 any body corporate, directly or indirectly, holds more than 10% of the outstanding equity shares of 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 Vesting of Options 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.
- **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.
- **Independent directors** means a director of the company (not whole time and who is neither a Promoter nor belonging to the Promoter Group) who apart from receiving director's remuneration does not have any other material pecuniary relationship or transactions with the Company, its Promoters, its management or its Subsidiaries, which in judgement of the board may affect independent of the director. Except in the case of Government Companies, institutional directors on the boards of companies are also considered as independent directors whether the institution is an investing institution or a lending institution
- **Option or Stock Option** means a right but not an obligation granted to an Employee to subscribe for shares or any Resultant Shares in pursuance of the Plan to apply for shares of the company at a pre- determined price and upon such terms and conditions as may be specified.

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• **Plan** means the Malar Employee Stock Option Plan 2008 as set out herein and as amended or modified from time to time

• **Promoters** means

- the person or persons who are in over-all control of the company
- the person or persons who are instrumental in the formation of the company or programme pursuant to which the shares were 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 they are acting as such only in their professional capacity will not be deemed to be a promoter

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

• **Promoter Group** means

- An immediate relative of the promoter (i.e. spouse of that person (i.e. spouse of that person, or any parent, brother, sister or child of the person or of the spouse)
- Persons whose shareholdings is aggregated for the purpose of disclosing in the offer document "shareholding of the promoter group"

• **Recognized Stock Exchange** means stock exchange in India recognized by Securities Board and Exchange Board of India or stock exchange outside India recognized by similar regulatory authorities of the countries outside India

• **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.

• **Share** means equity shares and securities convertible into equity shares and shall include American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs) or other depository receipts representing underlying equity shares or securities convertible into equity shares

• **Tenure or Grant Tenure** means the period from approval of grant to Closing Date, during which the Grant is effective.

• **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 period** means the period during which the vesting of the option granted to the employee in pursuance of the Plan takes place.

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.

Malar Hospitals Limited

V. Vignesh

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10 Section 3: Implementation

The Plan shall be implemented by the Remuneration 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 Remuneration 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.

The issuance of shares will be under the guidance, advice and direction of the Remuneration Committee of the Company.

11 Section 4: Effective date of the plan and tenure of Grant

11.1 Effective dates

The Plan shall be deemed to have come into force on the 21st August 2009 or on such other 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.

11.2 Termination

If any Stock Options granted under the Plan are terminated under the provisions of Section 18, such options shall be available for further award under the Plan.

11.3 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.

12 Section 5: Administration and Remuneration Committee

12.1 Administration of plan

The plan shall be administered by the company with guidelines from Remuneration Committee of the Company, or outlined in section 3 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 Remuneration Committee.

12.2 Powers

The compensation Committee shall, inter alia, formulate the detailed terms and conditions of the ESOS including:

- Frame ESO plans, get the same approved from the Board and implement them
- the quantum of option to be granted under an ESOP per employee and in aggregate;

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- 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;
- 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 ESOS shall be adjusted in a manner such that total value of the ESOS remains the same after the corporate action
 - for this purpose global best practices in this area including the procedures followed by the derivatives 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

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

Securities and Exchange Board of India (Insider Trading) Regulations, 1992; and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Market) Regulations, 1995, by any employee

13 Section 8: Grant of Options

13.1 Grant Limits

- Remuneration 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 objectives 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 Grant shall be at such price as may be determined by the Remuneration Committee and shall be specified in the Grant.

Malar Hospitals Limited

V. Vignesh

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- The Grant shall be in writing and shall specify the number of options granted, the price payable for exercising the options, the earlier date on which some or all of the Options and the shares acquired under the Grant shall be eligible for vesting, fulfilment of the performance and other conditions, etc, if any, subject to which vesting shall take place and other terms and conditions thereto.
- The grant of options to identified employees, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant of option

13.2 Stock offered

The shares to be offered pursuant to a Grant shall be from the authorized equity share capital of the Company.

13.3 Grant Criteria

Employees will be granted options by the Remuneration committee on the basis of some or all of the following criteria:

- Level and role of the employee;
- Performance of the employee;
- Criticality of the position held
- Tenure with the organization;
- Such other factors as Remuneration Committee may decide from time to time

14 Section 7: Vesting of Options

14.1 Vesting plan

The vesting period for the grant shall be as follows:

- 25% of the options shall vest on the completion of 12 months from the grant date
- 25% of the options shall vest on the completion of 24 months from the grant date
- 25% of the options shall vest on the completion of 36 months from the grant date
- 25% of the options shall vest on the completion of 48 months from the grant date

Notwithstanding anything to the contrary in this plan, the Remuneration 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. (except in cases of death and disability – Clause 18 and 19)

Malar Hospitals Limited

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14.2 Exercise of unvested options

The Remuneration 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.

15 Section 8: Exercise of Options

15.1 Exercise plan

There shall be no lock in after the options have Vested. The Vested options would be eligible to be exercised on the Vesting Date itself. Notwithstanding any provisions to the contrary in this Plan the options must be exercised before the end of the tenure of the plan. Also, the options can be exercised only before the end of tenure of the plan

15.2 Exercise price/ Grant Price

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

16 Section 9: Termination of employment

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

- For Cause, then the Options, to the extent not previously exercised, will terminate on the date of such termination of employment (or other service).

Cause shall mean, as determined by the Remuneration Committee, which include but not limited to, (i) the failure of the Employee, as judged by the management / disciplinary committee etc., to achieve assigned performance targets and objectives, (other than any such failure resulting from retirement, death or disability as defined below), (ii) the engaging by the Employee in wilful, reckless or grossly negligent misconduct which is determined by the Remuneration Committee to be detrimental to the interest of the Company or any of its affiliates, monetarily or otherwise, or (iii) the Employee's pleading guilty to or conviction of a felony (iv) fraud, misfeasance, breach of trust or wrongful disclosure of any secret or confidential information about the Company to any third party, or (v) employment of the Employee in any other organisation or provision of services by the Employee for any other organisation.

- Due to voluntary resignation on the part of the Grantee, vested but unexercised options would need to be exercised within the notice period being served 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 six months in case of completion of the period of contract of his employment (or other service).

Malar Hospitals Limited

V. Vignarajah *[Signature]*



- In event of resignation or termination of the employee, all options not vested as on that day shall expire. However, the employee shall, subject to the provision of the clause 5.3(b) shall be entitled to retain all the vested options
- For reasons other than those referred above in Section 9 or Section 10, Options under the Plan may be exercised not later than one (1) month after such termination, but may be exercised only to the extent the Options were Vested on the date of termination.

17 Section 10: Death and Total & Permanent Disability

If a Grantee should die or become totally and permanently disabled while an employee of the Company, the Granted Stock Options shall vest and exercise as below:

- In case of death, all options granted to him till such date shall vest in the legal heirs or nominees of the deceased employee. Options should be exercised within six months of vesting by the nominee/legal heirs.
- In case of total and permanent disability all options granted to him (vested and unvested) as on the date of permanent incapacitation, shall vest in him on that day. The options have to be exercised within the exercise period.

18 Section 11: 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. 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.

19 Section 12: Rights of an employee in stock

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.

20 Section 13: 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, save as regards any right attached to any such Shares by reference to a record date prior to the date of allotment.

Malar Hospitals Limited

V. Vignesh

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21 Section 14: Stock Option/ Grants

21.1 Stock Option Offer

Each Option shall be evidenced by an Offer Letter by the Company to the Option recipient, which shall contain such terms, and conditions as may be approved by the Remuneration Committee. The Offer Letter and any annexure provided along with, shall specify the terms and conditions relating to such offer.

Under each offer, a Grantee shall have the right to appoint any individual 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 specified format. Such nominee shall be the only legal representative recognised by the Company as the inheritor of the Grantee's option to the exclusion of all others.

21.2 Option period

The term of each Option shall be as specified by the Remuneration 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.

21.3 Limitations on Exercise of Option

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

22 Section 15: Change in Capital Structure or Corporate Action

Except as hereinafter provided, a Grant made shall be subject to adjustment, by the Remuneration 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 leading to merger/de-merger, spin off, consolidation, amalgamation and 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 and/or other property.

Clause 7 of the SEBI Guidelines on variations of terms of ESOS specifies the following:

- The company shall not vary the terms of the terms of the ESOS in any manner, which may be detrimental to the interests of the employees
- The company may by special resolution in a general meeting vary the terms of ESOS offered pursuant to an earlier resolution of a general body but not yet exercised by the employee provided such variation is not prejudicial to the interests of the option holders

Malar Hospitals Limited

V. Vignesh *hpa*



- The provisions of clause 6.3 shall apply to such variation of terms as they do to the original grant of option
- The notice for passing the resolution for variation of terms of ESOS shall disclose full details of the employees who are beneficiary of such variations
- A company may reprice the options which are not exercised, whether or not they have been vested if ESOSs were rendered unattractive due to fall in the market price of the shares
- Provided that the company ensures that such repricing shall be detrimental to the interest of employees and approval of shareholders in General Meeting has been obtained for such repricing

23 Section 16: Others

23.1 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.

23.2 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.

23.3 Tax deduction at source

All Options granted under the plan shall be subject to deduction of tax at source as applicable under law, if any at the time of Grant, Vesting, Exercise of such options or allotment of Shares, as per the applicable laws.

The Grantee or Beneficiary is liable to make good to the Company Fringe Benefit Tax (FBT) paid or payable by the Company, as per the applicable laws or any other tax levy in respect of grant, Vesting, Exercise of such Options or allotment of shares

Notwithstanding anything else contained in this Plan, no Shares / Sale proceeds therefrom, as the case may be, shall be allotted / disbursed to the Grantee or his Beneficiary, on Exercise the Options / shares under this Plan unless tax/ FBT/ any other levy imposed have been recovered.

23.4 Confidentiality

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

Malar Hospitals Limited

V. Vignesh



23.5 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 Remuneration Committee, fully indemnified in respect of any liability arising for violation of the above provisions.

23.6 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. No Employee or other person shall have any claim against the Company and/or trust as a result of such action.

23.7 Any outflow under ESOP scheme

Any outflow for the company on any account including but not limited to any tax, cess, duty or levy [including Fringe Benefit Tax (FBT)] etc, as applicable from time to time at present or in future due to/under this ESOP scheme shall be recoverable from the concerned employee.

23.8 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.

All the disclosures and Compliances shall be disclosed in the Directors Disclosures as per the SEBI guideline

AS ADOPTED BY THE BOARD OF DIRECTORS AS ON 31ST JULY, 2008

AS ADOPTED BY THE SHAREHOLDERS AS ON 29TH SEPTEMBER, 2008

Malar Hospitals Limited

V. Vignesh

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