

HCC Employees Stock Option Scheme

Hindustan Construction Company Limited
HCC Employee Stock Option Scheme

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**Hindustan Construction Co. Ltd.
HCC Employees Stock Option Scheme**

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HCC Employees Stock Option Scheme

1. Name of the Scheme

This Scheme shall be termed the HCC Employees Stock Option Scheme ("Scheme"). The Scheme of Hindustan Construction Company Ltd. has been approved by the special resolution passed on December 10, 2007 by Postal Ballot. The Scheme shall be effective from 25th April, 2008 hereinafter referred to as the "Effective date".

2. Purpose of the Scheme

Hindustan Construction Company Ltd. (hereinafter referred as "HCC" or "the company"), a company limited by shares, incorporated and registered under the Companies Act, 1913 having its registered office at Hinson House, L.B.S. Marg, Vikhroli (W), Mumbai 400083 has structured this Scheme for its Employees. The purpose of this Scheme is to attract, reward, motivate and retain its Employees for high levels of individual performance and for extraordinary efforts to improve the performance of the Company, which will ultimately contribute to the success of the Company. This purpose is sought to be achieved through the grant of Options to the Employees to subscribe for Shares of the Company.

3. Definitions

Except where the context otherwise requires, the following expressions or terms shall have the meanings indicated there against. Further, unless the context otherwise requires, words denoting the masculine gender shall include the feminine gender and words denoting the singular shall include the plural and vice versa.

- 3.1 "Applicable Laws" shall mean laws of India to the extent applicable and as amended and modified from time to time. Accordingly, any actions taken hereunder shall be governed by and construed in accordance with, the laws of India, without regard to the application of the conflicts of laws' provisions thereof.
- 3.2 "Acceptance Form" shall mean the form which the Grantee has to submit indicating his acceptance of the offer made to him to participate in the Scheme.
- 3.3 "Beneficiary" means the person, persons, trust or trusts nominated by a Participant under the Nomination Form (Form 'C'), or in the absence of any nomination by the Participant, a person or persons who is/are entitled by the will of the Participant to receive the benefits specified in the Scheme, the legal heirs of the Participant, if the Participant dies intestate and includes the Participant's executors or administrator, if no other beneficiary is designated and able to act under the circumstances and such other persons as may be added from time to time to the class of beneficiaries by notice in writing and by nomination form in the exercise of any powers conferred under the Scheme or any other agreements forming part thereof.

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- 3.4 "Board" means the Board of Directors of the Company.
- 3.5 "Committee" means the ESOP Compensation Committee of the Board consisting of majority of Independent directors that has been constituted by the Board for administration and superintendence of this Scheme pursuant to Clause 5 below.
- 3.6 "Closing date" means the last date on which the offer of Options by the Company to a Participant can be accepted. In case the last date is a non working day, then it shall be the next working day.
- 3.7 "Company" shall mean Hindustan Construction Company Ltd., a company registered under the Companies Act, 1913 having its registered office at Hincan House, L.B.S. Marg, Vikhroli (W), Mumbai 400 083.
- 3.8 "Corporate Action" shall have the meaning as understood under the SEBI Guidelines.
- 3.9 "Employee" means a permanent employee who is on the payroll of the Company, whether located in or outside India and who is subject to the control and direction of the Company with respect to both, the work to be performed and the manner and method of performance and, for the purpose of this Scheme, also includes the following:
- 3.9.1 Director(s) including Whole-time Directors of the Company but excluding any Nominee Directors of Bank(s), Financial Institution(s) or any other Fund(s);
- 3.9.2 All permanent employees of the Company's subsidiaries in India or out of India (including Managing/Whole-time Directors or Manager, as may be appointed, but excluding any Non-executive Director & Nominee Directors of Bank(s), Financial Institution(s) or any other Fund(s).
- 3.10 "Exercise" means making of an application by the Participant to the Company for issue of Shares against the Vested Options of the Participant in pursuance to this Scheme on payment of the Exercise price.
- 3.11 "Exercise date" means the date on which the Participant exercises his Options and in case of partial exercise shall mean each date on which the Participant exercises part of his Options.
- 3.12 "Exercise period" means a period of four years from the vesting date within which the Vested Options can be exercised.
- 3.13 "Exercise price" means the purchase price of each Share payable by the Participant for exercising the Option granted to him in pursuance of the Scheme, in accordance with Clause 10 below and shall be communicated in the grant letter.

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- 3.14 "FEMA Regulation" means Foreign Exchange Management (Transfer or issue of Security by a person resident outside India) Regulations, 2000 issued by Reserve Bank of India vide notification no FEMA 20/ 2000- RB dated 3rd May 2000.
- 3.15 "General meeting" means a general meeting of the shareholders of the Company held in accordance with the Articles of Association of the Company, the Companies Act 1956 and Other Applicable Laws.
- 3.16 "Grant" means the process by which a Grantee is given an Option.
- 3.17 "Grant date" means the date on which the Options are granted to a Grantee by the Committee under the Scheme.
- 3.18 "Grant letter" means the letter by which grant of an Option is communicated to the Grantee.
- 3.19 "Grantee" shall mean an Employee at the time of grant of the Option and who in the opinion of the Committee is eligible to participate under the Scheme.
- 3.20 "Group" means HCC and its Subsidiary Companies as defined under section 4 of the Companies Act, 1956.
- 3.21 "Independent director" means Directors who apart from receiving director's remuneration do not have any other material pecuniary relationship or transactions with the company, its promoters, its management or its subsidiaries, which in judgment of the board may affect independence of judgment of the director. Independent director also means a director of the company, not being a whole time director, and who is neither a promoter nor belongs to the promoter group.
- 3.22 "Option" means a right, but not an obligation to acquire and be allotted a Share of the Company at the Exercise price determined in accordance with Clause 10 below.
- 3.23 "Participant" means a Grantee who accepts an offer from the Company to participate in the Scheme pursuant to Clause 8 below.
- 3.24 "Scheme" shall mean the HCC Employees Stock Option Scheme and shall include any alterations, amendments, additions, deletions, modifications, or variations thereof from time to time.
- 3.25 "Promoter" means:
- a) the person or persons, who are in overall control of the Company; or
 - b) the person or persons who are instrumental in the formation of the Company or program pursuant to which the Shares were offered to the public; or

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- c) 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 his professional capacity will not be deemed to be a Promoter.

3.26 "Promoter group" means:

- a) an immediate relative of the Promoter (i.e. spouse of that person or any parent, brother, sister or child of the person or of the spouse); or
- b) persons whose shareholding is aggregated for the purpose of disclosing in the offer document "shareholding of the promoter group".

3.27 "Relative" means immediate relative namely spouse or the parent, brother, sister or child of the person or the spouse.

3.28 "SEBI Guidelines" means the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 issued by the Securities Exchange Board of India under the Securities Exchange Board of India Act, 1992 and shall include any alterations, amendments, additions, deletions, modifications, or variations thereof from time to time.

3.29 "Share" means an equity Share of the Company of face value of Re. 1/- (Rupee One only).

3.30 "Shareholder" means the registered holder of any share in the share capital of the Company.

3.31 "Subsidiary Company" means a company as defined under section 4 of the Companies Act, 1956

3.32 "Termination date" means the date of termination of employment of the Participant with the Company or Group.

3.33 "Unvested Option" means an Option, which is not a Vested Option.

3.34 "Vesting" means the process by which the Participant is given the right to apply for Shares of the Company against the Option granted to him in pursuance of the Scheme.

3.35 "Vesting period" means the period during which the vesting of the Option granted to the Participant in pursuance of the Scheme takes place.

3.36 "Vested Option" means an Option, which has vested with the Participant and has thereby become exercisable.

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Construction

- a) The headings/ subheadings/ titles/ subtitles are only for the sake of convenience and shall not be interpreted to restrict or otherwise affect the meaning or import of the Articles, which shall be interpreted solely in light of the contents thereof.
- b) Where a word or phrase is defined, other parts of speech and grammatical forms of that word or phrase shall have the corresponding meanings.
- c) Any reference to 'writing' includes printing, typing, lithography and other means of reproducing words in visible form.
- d) The term 'including' shall mean 'including without limitation', unless otherwise specified.

4. Eligibility

- 4.1 Subject to clause 4.2 below, the Committee shall, from time to time, identify the categories of Employees who shall be entitled to participate in the Scheme (the "Eligible Employee"). The Committee will further decide from time to time which specific Eligible Employees shall be granted Options under the Scheme and accordingly, the Company would offer the Options to the identified Eligible Employees.
- 4.2 An Employee who is a Promoter or belongs to the Promoter group or a director, who either by himself or through his Relative or through any body corporate, directly or indirectly, holds more than 10 percent of the outstanding equity shares of the Company, shall not be eligible to participate in the Scheme.

5. Administration of the Scheme

- 5.1 The Scheme shall be administered by the Committee, which may delegate its functions and powers in whole or in part as it determines. The Committee is authorised to interpret the Scheme, to establish, amend and rescind any rules and regulations relating to the Scheme, and to make any other determinations that it deems necessary or desirable for the administration and implementation of the Scheme. The Committee may correct any defect, omission or reconcile any inconsistency in the Scheme in the manner and to the extent the Committee deems necessary or desirable. Any decision of the Committee in the interpretation and administration of the Scheme, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Grantee and/or Participants and their beneficiaries or successors). The Committee shall, inter alia, do the following:
 - a) Adopt rules and regulations for implementing the Scheme from time to time.
 - b) Identify the Employees eligible to participate under the Scheme.

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- c) Determine the number of Options to be granted to each Grantee.
- d) Determine the number of Shares of the Company to be covered by each Option granted under the Scheme.
- e) Determine the Exercise price of the Options granted.
- f) Grant Options to the identified Eligible Employee and determine the date of Grant.
- g) Determine the exact proportion in which and exact period over which the Options shall vest.
- h) Determine the method of exercising the Vested Options.
- i) Determine the procedure for making a fair and reasonable adjustment to the number of Options and to the Exercise price in case of Corporate Actions.
- j) Determine the other terms and conditions, not inconsistent with the terms of the Scheme, for vesting of any Option granted hereunder.
- k) Approve forms or agreements for use under the Scheme
- l) Decide all other matters that must be determined in connection with an Option under the Scheme
- m) Construe and interpret the terms of the Scheme, and the Options granted pursuant to the Scheme
- n) Frame suitable policy, procedure and system to comply with the Securities and Exchange Board of India (Insider Trading) Regulations, 1992 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities market) Regulations, 1995 to be followed by the Participants.

- 5.2 All decisions made by the Committee in the administration of the Scheme shall be conclusive and binding on all parties concerned (including, but not limited to, Grantee and/ or Participants and their beneficiaries or successors). Neither the Company nor the Committee shall be liable for any action or determination made in good faith with respect to the Scheme or any Option granted there under.

6. Maximum Number of Shares

- 6.1 The maximum number of Shares that may be issued by the Company pursuant to exercise of Options granted to the Participants under this Scheme shall not exceed 50, 00,000 (fifty lacs) Shares of the Company.

7. Grant of Options

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- 7.1 The Committee may offer the Options to a Grantee in accordance with the terms and conditions of the Scheme for the time being in force.
- 7.2 Each Option will entitle the Participant to one Share of the Company.
- 7.3 The maximum number of the Shares that may be issued pursuant to the grant of the Options to each Grantee under this Scheme shall be 10,00,000 (ten lacs). Further, the face value of the Shares to be allotted to the non- resident Employees should not exceed any limit provided in FEMA Regulation.
- 7.4 The Grant of the Options by the Committee to the Grantee shall be made in writing (i.e. Grant Letter- Form 'A') and communicated to the Grantee. Such Grant Letter shall state the number of Options offered, the Exercise price, Vesting Period and the Closing date of accepting the offer.
- 7.5 The Closing date shall not be more than 60 (Sixty) days from the Grant date.
- 7.6 An offer made under clause 7.1 above is personal to the Grantee and can not be transferred in any manner whatsoever.

8. Method of acceptance

- 8.1 Any Grantee who wishes to accept an offer made pursuant to Clause 7 above must deliver an Acceptance Form (Form 'B'), prescribed by the Committee from time to time, duly completed as required therein to the Committee on or before the Closing date stated in the Grant Letter.
- 8.2 Any Grantee who fails to return the Acceptance Form on or before the Closing date shall, unless the Committee determines otherwise, be deemed to have rejected the offer. Any Acceptance Form received after the Closing date shall not be valid, unless the Committee determines otherwise.
- 8.3 Upon timely receipt of a duly completed Acceptance Form from the Grantee in respect of the Grant, the Grantee will become a Participant.

9. Vesting of Options

- 9.1 Subject to the terms contained herein, the acceptance in accordance with Clause 8 above, of a Grant made to a Grantee, shall conclude a contract between the Grantee and the Company, pursuant to which each Option shall, on such acceptance, be an Unvested Option.
- 9.2 The Options granted under the Scheme shall vest over a four/five year period in the following ratio:

Vesting Period	Construction Business		New Businesses
	Employees with 2 years service or more	Employees with less than 2 years service in	Employees working in new businesses i.e. HREL, Lavasa, HCC

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	with HCC	HCC	Infrastructure, HCC Capital
End of Year 1	20%	Nil	Nil
End of Year 2	25%	20%	Nil
End of Year 3	25%	25%	40%
End of Year 4	30%	25%	30%
End of Year 5	Nil	30%	30%

9.3 The Committee shall have the right to amend the vesting schedule and/or period, subject to a minimum vesting period of one year from the Grant Date.

9.4 The Grantee shall be communicated regarding the vesting of the options by the Committee (or an authorized signatory) in Form 'D'.

10. Exercise Price

10.1 The Exercise price of the Option shall be either (a) or (b), below as may be decided by the Committee:

a) The latest available closing market price (on a stock exchange where there is highest trading volume) prior to the date of the Meeting of the Committee at which the Committee finalise the grant of Options (such an option would be called "Option A"); OR

b) A price equal to 10% discount on the latest available closing market price (on a stock exchange where there is highest trading volume) prior to the date of the Meeting of the Committee at which the Committee finalise the grant of Options (such an option would be called "Option B").

10.2 The Exercise price shall be paid by the Participant to the Company in cash or by cheque/ demand draft or any other mode, as determined by the Committee, upon exercise of the Options.

11. Exercise of Options

11.1 The Vested Options shall be exercisable according to the terms and conditions as determined under the Scheme and set forth hereunder.

11.2 Subject to clause 12.1 below, the Participant alone can exercise the Vested Options.

11.3 Subject to clause 9 above and clause 12 below, the Participant can exercise the Vested Options within the Exercise period. Such exercise may be of all Vested Options or some of the Vested Options, subject to clause 11.4 below.

11.4 No vested Option shall be exercisable in its fractional form.

11.5 Exercise of the Vested Options shall take place at the time and place designated by the Committee or the Company and by executing such documents as may be

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required under the Applicable Laws to pass a valid title to the relevant Shares to the Participant, free and clear of any liens, encumbrances and transfer restrictions save for those set out therein.

- 11.6 A Vested Option shall be deemed to be exercised only when the Committee receives written notice of exercise (Letter of Exercise- Form 'E') and the Exercise Price (in accordance with the Scheme) from the person entitled to exercise the Option.
- 11.7 On Exercise, the Participant can subscribe to the Shares on the full payment of the exercise price and taxes, if any required to be discharged under the Applicable Laws by the Company in respect of exercise of the Option, and the Company shall allot the Shares to the Participants (Form 'F'), or, if requested in writing by the Participant, to the Participant jointly with another person.
- 11.8 Notwithstanding anything else contained in this Scheme, if the Participant does not exercise his Vested Options within the time specified in clause 11.3 above and clause 12 below, such unexercised Options shall lapse.
- 11.9 There shall be no cashless exercise of the Vested Options.

12. Cessation of employment- Implications of

12.1 On death of a Participant

In the event of death of a Participant while in employment, all the Options granted to him till such date shall vest in the Beneficiary of the deceased Participant on such date. All the Vested Options shall be permitted to be exercised within 2 (Two) years from the date of death. However, Options cannot be exercised by the Beneficiary beyond the normal Exercise period, as provided under this Scheme, unless specifically permitted by the Committee.

12.2 On disability of a Participant

In the event of the termination of a Participant's employment with the Group, 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 up to the date of such incapacitation, shall be vested in him and shall be permitted to be exercised by the Participant/Beneficiary within 2 (Two) years from the date of termination. However, Options cannot be exercised by the Participant/Beneficiary beyond the normal Exercise period, as provided under this Scheme, unless specifically permitted by the Committee.

12.3 On Attainment of Superannuation

In case the service of the Participant with the Group is terminated due to retirement or superannuation, all the Vested Options as on that date shall be permitted to be exercised within 2 (Two) years from the date of termination or before the expiry of the Exercise period, whichever is earlier. All Unvested Options on the date of termination shall lapse.

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12.4 Termination with cause

In case the termination of employment of a Participant with the Group is with cause (i.e. negligence, fraud, professional misconduct, moral turpitude etc), his Options (Vested as well as Unvested) shall lapse on the termination date and the contract referred to in clause 9.1 above shall stand automatically terminated.

12.5 On Resignation

In case the service of the Participant with the Group is terminated due to resignation of the Participant from the Group, all the Vested Options as on that date shall be permitted to be exercised within 30 (Thirty) days from the date of termination or before the expiry of the Exercise period, whichever is earlier. All Unvested Options on the date of termination shall lapse.

13. Notices and correspondence

13.1 Any notice required to be given by a Participant to the Company or the Committee or any correspondence to be made between a Participant and the Company or the Committee may be given or made to the Company at the registered office of the Company or the Committee as may be notified by the Company in writing.

13.2 Any notice, required to be given by the Company or the Committee to a Participant or any correspondence to be made between the Company or the Committee and a Participant shall be given or made by the Company or the Committee on behalf of the Company at the address provided by the Participant in his Acceptance Form.

14. Beneficiary designation

14.1 Each Participant under the Scheme may nominate, from time to time, any Beneficiary or Beneficiaries to whom any benefit under the Scheme is to be delivered in case of his or her death before he or she receives all of such benefit. Each such nomination shall revoke all prior nominations by the same Participant and shall be in a Nomination Form (Form 'C') prescribed by the Company. Such nomination will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime.

15. Non-transferability of Options

15.1 Save as provided in Clause 12.1 above, the Options granted herein, are personal to the Participant. The Options cannot be assigned, alienated, pledged, attached, hypothecated, sold, or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent, to the extent permitted under the Applicable Law, and any purported assignment, alienation, pledge, attachment, hypothecation sale, transfer, or encumbrance not permitted herein shall be void and unenforceable against the Company.

16. Corporate Action

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- 16.1 In event of the Corporate Action, the number of Options (Vested as well as Unvested) or the Exercise price in respect of the Options or both the number and the Exercise Price, may be determined by the Company, in consultation with the Committee, to be such number and/or Exercise price as is appropriate in accordance with the SEBI Guidelines, and subject to the provisions of the Scheme.

17. Tax Liability

- 17.1 The Participant shall be bound to reimburse the Company for any Fringe Benefit Tax, payable by the Company with regard to the shares allotted to the Participant under the Scheme. The Company shall issue a certificate to the Participant in Form 'G' regarding receipt of the Fringe Benefit Tax from the Participant.
- 17.2 All Options granted or shares allotted under the Scheme shall also be subject to all applicable tax requirements, if any prevailing, and the Company shall have the right to deduct from the salary or recover by any other mode, the sums due towards tax (including Fringe Benefit Tax) arising in connection with the exercise of Options under this Scheme.

18. Arbitration

- 18.1 In the event of a dispute arising out of or in relation to the contract concluded under clause 9.1 above (including a dispute relating to the construction or performance thereof), the Parties shall attempt in the first instance to resolve such dispute through an amicable settlement. If the Parties fail to resolve the dispute by reaching a mutual understanding, then either Party may refer the dispute to a single arbitrator acceptable to both and failing agreement, to three arbitrators, one to be appointed by either Party and the third arbitrator to be jointly appointed by the two arbitrators appointed by the Parties. The arbitration proceedings shall be held in Mumbai, India under and in accordance with the Arbitration and Conciliation Act, 1996 or any statutory modification or re-enactment thereof for the time being in force.

19. Governing Law

- 19.1 This Scheme and all agreements there under shall be governed by and construed in accordance with the Applicable laws of India.
- 19.2 The Participant agrees and acknowledges that the Participant has received and read a copy of the Scheme. The Options are subject to the Scheme. Any term of the Scheme that is contrary to the requirement of the SEBI Guidelines or any other Applicable Law or other Indian regulations shall not apply to the extent it is contrary.

20. Regulatory approvals

- 20.1 The implementation of the Scheme, the granting of any Option under the Scheme and the issuance of any Shares under this Scheme shall be subject to the procurement by the Company and the Participants of all approvals and permits (if

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any) required by any regulatory authorities having jurisdiction over the Scheme, the Options and the Shares issued pursuant thereto. The Participants under this Scheme will, if requested by the Committee, provide such assurances and representations to the Company, as the Committee may deem necessary or desirable to ensure compliance with all applicable legal and accounting requirements.

21. Modification of Scheme

The Committee may pursuant to a special resolution passed at a General meeting at any time and from time to time:

- 21.1 Revoke, add to, alter, amend or vary all or any of the terms and conditions of the Scheme or all or any of the rights and obligations of the Participants;
- 21.2 Formulate separate sets of special terms and conditions in addition to those set out herein, to apply to each class or category of Participants separately and each of such sets of special terms and conditions shall be restricted in its application to such class or category of Participants.
- 21.3 Alter the Exercise price, if the Options becomes unattractive due to fall in market price of the share.

Provided that no variation, alteration, addition or amendment to the Scheme can be made if it is detrimental to the interest of the Participant/ Grantee.

22. Miscellaneous provisions

22.1 No rights of a shareholder

The Participant shall have no rights as a Shareholder consequent to this Scheme until the name of the Participant has been entered in the Register of Members of the Company as the holder of the Shares provided hereunder.

22.2 Set-off

The Company has an obligation to convey to the Participant that the Shares shall be subject to set-off or counterclaim of amounts owed by the Participant to the Company or Group, to the extent permitted under Applicable Laws.

23. Term of the Scheme

- 23.1 The Scheme shall continue in effect unless terminated by the Company.
- 23.2 Any such termination of the Scheme shall not affect Options already granted and such Options shall remain in full force and effect as if the Scheme had not been terminated unless mutually agreed otherwise between the Participants and the Committee/the Company.

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24. Confidentiality

- 24.1 The Participant shall not divulge the details of the Scheme and/or his holdings to any person except with the prior written permission of the Committee unless so required to do under any statutes or regulations applicable to such Participant.

Place: Mumbai
Dated: April 25, 2008

For Hindustan Construction Co.Ltd.
ESOP Compensation Committee

Chairman