



# Sun Pharmaceutical Industries Limited

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## EMPLOYEES' STOCK OPTION SCHEME (ESOS)

### I. Information regarding SUN Employee Stock Option Scheme (As on March 31, 2019)

Erstwhile Ranbaxy Laboratories Limited ("Ranbaxy") had been merged into Sun Pharmaceutical Industries Limited ("Sun Pharma") effective March 24, 2015 through a Scheme of Merger as approved by the Hon'ble High Courts of Punjab & Haryana and Hon'ble High Court of Gujarat. Pursuant to the Scheme of Merger, Employee Stock Option Scheme and Plan of erstwhile Ranbaxy have been adopted by Sun Pharma with suitable modifications w.e.f. March 24, 2015 and formulated SUN Employee Stock Option Scheme-2015 and SUN Employee Stock Option Plan-2015. These Schemes are applicable only to the employees of erstwhile Ranbaxy and its subsidiaries, and would continue till the time of expiry/exercise of all the earlier granted stock options. No further options would be granted by the Company under these Scheme and Plan. SUN Employee Stock Option Plan-2015 has been completed in August'2017.

(i) SUN Employee Stock Option Scheme - 2015 [which was earlier Employees Stock Option Schemes (Granted prior to year 2011 of erstwhile Ranbaxy)(Through Direct Allotment Route)]:

Sr. No.	Particulars	SUN Employee Stock Option Scheme-2015
(a)	Date of shareholders' approval	Adopted pursuant to the Scheme of Merger as approved by the Shareholders of the Company on August 22, 2014 (High Court Convened meeting) and High Courts.
(b)	Total number of options approved under ESOS	12,00,000 (Twelve lakhs) stock options (Being the balance options of erstwhile Ranbaxy, for which Sun Pharma has obtained in-principle approval from the Stock Exchanges)
(c)	Vesting requirements	"Vesting" means the process by which the employee is given the right to apply for Equity Shares of the Company against the options granted.  Vesting period shall commence on the expiry

		of one year from the date of grant of options and the entitlement of an employee will be in the following graduated scale :												
		<table border="1"> <tr> <td>Period of service from the date of grant of options</td> <td>Percentage of options that shall vest</td> </tr> <tr> <td>End of 12 months</td> <td>20%</td> </tr> <tr> <td>End of 24 months</td> <td>20%</td> </tr> <tr> <td>End of 36 months</td> <td>20%</td> </tr> <tr> <td>End of 48 months</td> <td>20%</td> </tr> <tr> <td>End of 60 months</td> <td>20%</td> </tr> </table>	Period of service from the date of grant of options	Percentage of options that shall vest	End of 12 months	20%	End of 24 months	20%	End of 36 months	20%	End of 48 months	20%	End of 60 months	20%
Period of service from the date of grant of options	Percentage of options that shall vest													
End of 12 months	20%													
End of 24 months	20%													
End of 36 months	20%													
End of 48 months	20%													
End of 60 months	20%													
(d)	Exercise price or pricing formula	<p>Closing price of the Equity Shares of erstwhile Ranbaxy Laboratories Limited ("Ranbaxy") prior to the date of meeting of the Compensation Committee in which stock options were granted, on the stock exchange on which the shares of erstwhile Ranbaxy were listed. If the shares were listed on more than one stock exchange, then the stock exchange where there was highest trading volume on the said date was considered.</p> <p>Exercise price per option of Sun Pharma shall be 1.25 times the exercise price for every Ranbaxy Option.</p>												
(e)	Maximum term of options granted	The options granted shall be exercisable till expiry of ten years from the date of their grant and shall lapse upon such expiry.												
(f)	Source of shares (primary, secondary or combination)	Primary												
(g)	Variation in terms of options	N.A.												

- (ii) Option movement during the year under SUN Employee Stock Option Scheme-2015 [which was earlier Employees Stock Option Schemes (Granted prior to year 2011 of erstwhile Ranbaxy)]:

S. No.	Particulars	Nos.
1.	Total number of options outstanding (all the options vested)	2,63,680
2.	Number of options granted during the year	Nil

3.	Number of options forfeited and lapsed during the year	93,151
4.	Number of options vested during the year	Nil
5.	Number of options exercised during the year	11,790
6.	Number of shares arising as a result of exercise of options during the year	11,790
7.	Money realized by exercise of options (INR), if scheme is implemented directly by the Company	Rs. 38,30,895.00
8.	Loan repaid by the Trust during the year from exercise price received	N.A.
9.	Number of options outstanding at the end of the year	1,58,739
10.	Number of options exercisable at the end of the year	1,58,739

II. Employee wise details (name of employee, designation, number of options granted during the year, exercise price) of options granted to –

(a) Senior Managerial Personnel; : Nil

(b) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year; and : Nil

(c) Identified employees who were granted option, 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. : Nil

III. Relevant disclosures in terms of the 'Guidance note on accounting for employee share-based payments' issued by ICAI or any other relevant accounting standards as prescribed from time to time. : Members may refer to Note 49 of the Notes to the Standalone Financial Statements prepared as per Indian Accounting Standard (Ind-AS) forming part of the Annual Report for the financial year ended March 31, 2019.

IV. Diluted Earnings Per Share (EPS) : Rs. 3.4

V. (a) Method used to account for ESOS - Intrinsic or fair value : The Company has calculated the employee compensation cost using the *Fair value* of the stock options. Members may refer to point No. (q) of sub-note 2.2 of Note No. 2 of the

Notes to the Standalone Financial Statements forming part of the Annual Report for the financial year ended March 31, 2019.

(b) Difference between the employee : N.A.  
compensation cost so computed at (a)  
above and the employee compensation  
cost that shall have been recognized if it  
had used the *fair value* of the options

(c) The impact of this difference on profits : Profit after tax : Rs. 8,166 Mn  
and on EPS of the Company

Less: additional  
employee  
compensation cost  
based on *fair value* : Nil  
(net of tax)

Adjusted Profit : Rs. 8,166 Mn  
After Tax

Adjusted EPS(diluted): Rs. 3.4

VI. Weighted-average exercise price and fair value of Stock Options granted:  
(Post split adjusted price)

**[All details given below pertain to Erstwhile Ranbaxy]**

Stock options granted on	Weighted average exercise price (in Rs.)	Weighted average Fair value (in Rs.)	Closing market price at NSE on the previous day of the grant (in Rs.)
12.01.2001	336.50	145.00	324.15
03.12.2001	297.50	188.50	369.48
01.04.2002	372.50	226.00	449.48
07.02.2003	283.50	132.50	317.45
22.01.2004	496.00	212.50	503.10
17.01.2005	538.50	215.68	534.33
17.01.2006	392.00	194.07	391.15
17.01.2007	430.00	232.57	429.65
16.01.2008	391.00	107.06	390.75
11.06.2008	561.00	172.89	560.75
19.12.2008	219.00	63.31	218.60
21.01.2009	216.00	92.97	215.15
24.02.2010	450.00	218.64	449.60

VII. A description of the method and significant assumptions used during the year to estimate the fair value of options including the following information:

(a)	the weighted-average values of share price, exercise price, expected volatility, expected option life, expected dividends, the risk-free interest rate and any other inputs to the model;	Since no options were granted during the year, hence not applicable
(b)	the method used and the assumptions made to incorporate the effects of expected early exercise;	
(c)	how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and	
(d)	whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.	

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