

EMPLOYEES' STOCK OPTION SCHEMES (ESOS)

I. Information regarding SUN Employee Stock Option Scheme and Plan (As on March 31, 2017)

A. Erstwhile Ranbaxy Laboratories Limited ("Ranbaxy") had been merged into Sun Pharmaceutical Industries Limited ("Sun Pharma") effective 24th March, 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. 24th March, 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.

A(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 22 nd August, 2014 (High Court Convened meeting) and High Courts.
(b)	Total number of options approved under ESOS	12,00,000 (Twelve lacs) 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 :

		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.	

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)	610,739
2.	Number of options granted during the year	Nil
3.	Number of options forfeited and lapsed during the year	146,379
4.	Number of options vested during the year	Nil
5.	Number of options exercised during the year	62,682

6.	Number of shares arising as a result of exercise of options during the year	62,682
7.	Money realized by exercise of options (INR), if scheme is implemented directly by the Company	Rs. 31,349,967.50
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	401,678
10.	Number of options exercisable at the end of the year	401,678

B(i) SUN Employee Stock Option Plan-2015 (which was earlier Ranbaxy Employee Stock Option Plan-2011 (Granted from the year 2011 onwards) of erstwhile Ranbaxy) (through Trust route):

Sr. No.	Particulars	SUN Employee Stock Option Plan-2015
(a)	Date of shareholders' approval	Adopted pursuant to the Scheme of Merger as approved by the Shareholders of the Company on 22 nd August, 2014 (High Court Convened meeting) and High Courts.
(b)	Total number of options approved under ESOS	3,00,000 (Three lacs) 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	Options granted would vest not less than one year and not more than three years from the date of grant of such options. The vesting will start at the first anniversary of grant.
(d)	Exercise price or pricing formula	Exercise price per option is Rs.6.25/- pursuant to the Scheme of Merger of Ranbaxy with Sun Pharma.
(e)	Maximum term of options granted	Options granted would vest not less than one year and not more than three years from the date of grant of such options.
(f)	Source of shares (primary, secondary or combination)	Primary
(g)	Variation in terms of options	N.A.

B(ii) Option movement during the year under SUN Employee Stock Option Plan-2015 [which was earlier Ranbaxy Employee Stock Option Plan-2011 (Granted from the year 2011 onwards of erstwhile Ranbaxy)]:

S. No.	Particulars	Nos.
1.	Total number of options outstanding	169,913

2.	Number of options granted during the year	Nil
3.	Number of options forfeited and lapsed during the year	24,614
4.	Number of options vested during the year	65,235
5.	Number of options exercised during the year	93,015
6.	Number of shares arising as a result of exercise of options during the year	93,015
7.	Money realized by exercise of options (INR) during the year	Rs. 5,81,343.75
8.	Loan repaid by the Trust during the year from exercise price received	No
9.	Number of options outstanding at the end of the year	52,284
10.	Number of options exercisable at the end of the year	941

Details related to Trust

(i) General Information on all Schemes

Sl. No.	Particulars	Details
1	Name of the Trust	SUN Pharma ESOP Trust
2	Details of the Trustee(s)	Mr. Jagdish Sanghavi Ms. Meetal Sampat Mr. Akshay Wadhwa
3	Amount of loan disbursed by Company / any company in the group, during the year	Nil
4	Amount of loan outstanding (repayable to company / any company in the group) as at the end of the year	Rs. 35,25,350
5	Amount of loan, if any, taken from any other source for which company / any company in the group has provided any security or guarantee	Nil
6	Any other contribution made to the Trust during the year	Nil

(ii) Brief details of transactions in shares by the Trust

Sl. No.	Particulars	No. of Shares
(a)	Number of shares held at the beginning of the year	123,381
(b)	Number of shares acquired during the year through	
	(i) primary issuance	Nil

	(ii) secondary acquisition	N.A.
	- percentage of paid up equity capital as at 31 st March, 2016	N.A.
	- Weighted average cost of acquisition per share	N.A.
(c)	Number of shares allocated to the employees on exercise of stock options under SUN Employee Stock Option Plan-2015	93,015
(d)	Number of shares held at the end of the year	30,366

Voting rights of shares held by Sun Pharma ESOP Trust

(a)	The name of the employees who have not exercised the voting rights directly	Shares were allotted to the Sun Pharma ESOP Trust. The employees holding stock options had no voting right till the allocation of shares to them on exercise of stock options.
(b)	The reasons for not voting directly	Stock Options granted to the employees were not exercised. Hence shares were not held by the employees.
(c)	The name of the person who is exercising such voting rights	No one attended the AGM on behalf of Sun Pharma ESOP Trust or voted thereat
(d)	The number of shares held by or in favour of, such employees and the percentage of such shares to the total paid-up share capital of the Company	34,623 Equity Shares of Re. 1 each of the Company were held by Sun Pharma ESOP Trust, constituting 0.0014% of the total paid-up share capital of the Company.
(e)	The date of the general meeting in which such voting power was exercised	At the AGM held on 17 th September, 2016 no voting power held by Sun Pharma ESOP Trust was exercised.
(f)	The resolution on which votes have been cast by persons holding such voting power	Votes had not been exercised on behalf of the Sun Pharma ESOP Trust on any of the resolutions put to vote at the AGM
(g)	The percentage of such voting power to the total voting power on each resolution	0.00%
(h)	Whether the votes were cast in favour of or against the resolution	Not Applicable

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 the audited financial statement for the year ended March 31, 2017
- IV. Diluted Earnings Per Share (EPS) : Rs. (0.1)
- 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
- (b) Difference between the employee 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 : N.A.
- (c) The impact of this difference on profits and on EPS of the Company : Loss after tax : Rs. (349.5) Mn
- Less: additional employee compensation cost based on *fair value* : Nil (net of tax)
- Adjusted Loss : Rs. (349.5) Mn After Tax
- Adjusted EPS(diluted): Rs. (0.1)

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

[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.)
		<u>Term of Option</u>			
01.07.2011	5.00	1.25 years	2.25 years	3.25 years	541.35
		534.36	532.74	531.09	
21.01.2012	5.00	1.25 years	2.25 years	3.25 years	468.35
		464.49	462.86	461.20	
22.02.2012	5.00	1.25 years	2.25 years	3.25 years	449.20
		441.92	440.29	438.63	
20.01.2013	5.00	1.25 years	2.25 years	3.25 years	482.15
		475.12	473.47	471.81	
25.02.2013	5.00	1.25 years	2.25 years	3.25 years	413.55
		426.83	425.19	423.53	

08.05.2014	5.00	1.25 years	2.25 years	3.25 years	472.15
		462.39	460.79	459.16	

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.	