



Geared for life

BHARAT GEARS LIMITED

Regd. Office & Works :

20 K.M. Mathura Road, P.O. Box 328

P.O. Amar Nagar, Faridabad - 121003 (Haryana) INDIA

Tel. : +91 (129) 4288888, E-mail : info@bglindia.com

Corporate Identity Number : L29130HR1971PLC034365

BHARAT GEARS LIMITED - EMPLOYEE STOCK OPTION SCHEME 2021



IATF-16949
ISO-9001
BS OHSAS-18001
ISO-14001
BUREAU VERITAS
Certification

Mumbai Office : 14th Floor Hoechst House, Nariman Point, Mumbai - 400 021 INDIA

Tel.: +91(22) 2283 2370, Fax :+91-(22) 2282 1465, Email: info@bharatgears.com

Mumbra Works : Kausa Shil, Mumbra, Distt. Thane-400 612, (Maharashtra) INDIA

Tel. : +91(22) 2535 2034, 2535 7500, Fax: +91(22) 2535 1651

www.bharatgears.com



PART A: STATEMENT OF RISKS

An investment in Equity Shares / Options is subject to risk as the value of Equity Shares may go down or go up. You should carefully consider all the information in this Scheme, including the risks and uncertainties described below, before making an investment in the Equity Shares. If profitability and financial condition of the Company gets affected, the price of our Equity Shares / Options could decline and you may lose all or part of your investment in the Equity Shares / Options. Unless specified or quantified in the Scheme, we are not in a position to quantify the financial or other implication of any of the risks.

In addition, 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 Options.
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 benefits 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.



PART B: INFORMATION ABOUT THE COMPANY

1. Business Profile of the Company

Bharat Gears Limited was incorporated on December 23, 1971. Its CIN is L29130HR1971PLC034365 and is presently having its Registered Office at Office No. 20 K M Mathura Road, P O, Amar Nagar, Faridabad, Haryana – 121003.

Present Business Activity:

The Company is engaged in the manufacturing of a wide range of gears for heavy, medium and light duty commercial vehicles, buses, tractors, construction equipment, utility vehicles, forklift trucks, cooling towers, etc. The business segments of the Company can be categorised into following types:

- Gears
- Automotive Components
- Furnaces

BGL manufactures a wide range of Bevel (hypoid/spiral) gears, Straight Bevel (Differential) gears, Transmission gears and shafts, complete automotive transmissions, gearbox sub-assemblies and differential assemblies. BGL has high end dry cut hobbing machines, dry cut bevel gear cutting machines as well as state of the art testing facilities.

BGL has an impressive pan India distribution network which supplies wide array of automotive parts which includes Automotive Clutch and components, Turbo Chargers and components, Driveline Products, Axle Shafts, Fly Wheel Assemblies & Rings, Propeller Shaft components, U-J Cross, Steering Components, Differential Cages, Steel Wheel Rims among many others through existing dealership network.

BGL's furnace division builds a variety of furnaces – sealed quench, continuous gas carburisers, rotary furnaces, etc. It also undertakes reconditioning of old furnaces on behalf of customers.

While India remains the primary market, the Company is steadily growing its exports, mainly to North American and European Market.

BGL's modern manufacturing facilities, which includes state-of-the-art machinery for gear cutting, gear shaping, hobbing, shaving, gear grinding, gear testers and induction hardening machines, are located at Mumbra near Mumbai, Faridabad near Delhi and Lonand near Satara.

Main Objects of the Company as stated in the Memorandum of Association of the Company are as follows:

1. To carry on business of designing, manufacturing, developing, hiring, repairing, buying, selling and dealing in gears of all types including in particular spiral Bevel Straight Bevel, Spur and Helical and Worm Gears.



2. To carry on business as manufacturers, exporters, repairers and dealers in ring gears and pinion sets, transmission gears and complete differential and components thereof and all parts, equipment, accessories thereof and all other materials, equipment, purchase of stores used therein or in any relation thereof.
3. To carry on business as manufacturers and dealers in ball and roller bearings and bearings of all kinds.
4. To carry on business as Merchant Exporters and Dealers in all kinds of engineering, metallurgical and other goods.
5. To carry on the business as manufacturers, producer, designers, importers, exporters, traders, buyers, sellers, suppliers, indenters, agents, sub-agents, jobbers, brokers, repairers, cleaners, run, manage, operate or deal in and operate all types of aviations, aeroplanes, seaplanes, flying boats, hovercrafts, helicopters, Light Sports Aircraft and other craft or conveyances appropriate for the carriage of passengers, freight and mails by air and all or any parts, equipments, engines, machinery and plant relating thereto and to carry out and conduct any tests, experiments, research or development, recondition and service aircrafts and other apparatus of every description capable of being flown or navigated in the air, whether powered or not, necessary or expedient for such purposes and to purchase, take on lease, hire, take license of, train pilots or acquire or sell, develop, manage, run, let out, or give any exclusive of other right or interest in aerodromes, parking, landing grounds, airports, helipads, land and sea planes bases, hangers, machine shops, engineering shops, sheds for servicing, maintaining and landing all kinds of aircraft in any part of the world and to obtain and hold from any state, sovereign, governmental or semi-governmental authority, any licences, authorities or rights, necessary or convenient for such purposes.

2. Abridged Financial Information

The abridged financial information for the last 5 (Five) years for which audited financial information is available along with last audited accounts is available at the website of the Company at a given below link:

<https://www.bharatgears.com/financial-results.html>

3. Risk Factors for the Company

The Company's business is subject to various generic risks and industry specific risks including those specified below:

3.1 Sensitivity to Foreign Exchange Fluctuation:

In this globalized world, the Company engages in financial transactions outside the Country and accordingly the Receipts will be based in the form of a currency which is not in Indian Denomination. Any appreciation/depreciation of the Indian currency or the



depreciation/appreciation of the denominated currency will affect the cash flows emanating from that transaction.

3.2 Difficulty in availability of raw materials or Marketing of Product:

The Company's operations are increasingly dependent for the proper functioning of their business in terms of raw material and product supply, new products and sales and marketing programme development, technology, funding and support services. Any underperformance or failure to control properly the Company's operations could therefore impact the Company's business and materially adversely impact the performance or financial condition of the Company.

3.3 Cost/ Time Overrun:

Controlling time and cost overrun of the operations is very crucial in achieving successful completion of any projects. In case there is extension in estimated time and cost beyond the projected limit can decrease the profits of the Company.

3.4 Industry Specific Risks:

Change in government regulations or their implementation could disrupt the operations and adversely affect the business and results of the Company, due to which Company may incur increased cost and penalties.

3.5 Dynamic scenario:

Change in technology may render our current technology obsolete and require us to make substantial investment which could affect the Company finance and operation.

3.6 Political instability or changes in the Government in India or in the Government of the states where we operate could cause us significant adverse effects:

We are incorporated in India and all of our operations, assets and personnel are located in India. Consequently, our performance and the market price and liquidity of the Equity Shares may be affected by changes in exchange rates and controls, interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India.

The government has traditionally exercised, and continues to exercise, a significant influence over many aspects of the economy. Our business is also impacted by regulation and conditions in the various states in India where we operate. Since 1991, successive governments have pursued policies of economic liberalisation and financial sector reforms. However, there can be no assurance that such policies will be continued. Any political instability could affect the rate of economic liberalisation, specific laws and policies affecting foreign investment, the power industry or investment in our Equity Shares. A



significant change in the government's policies, in particular, those relating to our field, could adversely affect our business, results of operations, financial condition and prospects and could cause the price of our Equity Shares to decline.

3.7 Risk arising from changes in interest rates and banking policies:

Increased interest rates will have a bearing on profitability and credit controls will have an effect on our liquidity and will have serious effect on adequate working capital requirements.

The above risks and uncertainties include but are not limited to risks and uncertainties relating to dependencies on few customers and suppliers, changes in the regulatory framework, adverse development in the any of the customer industries to whom substantial part of the product is given, downgrading of credit worthiness, political instability, legal restrictions and general economic conditions affecting the industry.

4. Continuing Disclosure Requirement:

The Grantee would be entitled to receive copies of all the documents that are sent to the Members of the Company. This shall include the annual accounts of the Company as well as notices of the meetings and the accompanying explanatory statements.

**PART C: BHARAT GEARS LIMITED EMPLOYEES STOCK OPTION SCHEME – 2021****1. Introduction of the Scheme:**

- 1.1 This scheme shall be called as the “Bharat Gears Limited Employees Stock Option Scheme – 2021” hereinafter referred as “Scheme”.
- 1.2 The Scheme was approved by the Board of Directors and the Shareholders of the Company on August 25, 2021 and September 22, 2021 respectively.
- 1.3 The Scheme shall be effective from September 22, 2021, being the date of Shareholders approval.

2. Term of the Scheme:

- 2.1 The Scheme shall continue in effect unless terminated by the Board of Directors.
- 2.2 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 Grantee / Nominee / Legal Heirs and the Company.

3. Purpose of the Scheme:

- 3.1 The Purpose of the Scheme includes the followings:
 - 3.1.1 To motivate the Employees to contribute to the growth and profitability of the Company.
 - 3.1.2 To retain the key Employees and reduce the attrition rate of the Company.
 - 3.1.3 To achieve sustained growth and the creation of shareholder value by aligning the interests of the Employees with the long-term interests of the Company.
 - 3.1.4 To create a sense of ownership and participation amongst the Employees to share the value they create for the Company in the years to come, and
 - 3.1.5 To provide additional deferred rewards to Employees.

4. Definitions:

- 4.1 In this Scheme, except where the context otherwise requires, the following expressions or terms shall have the meanings indicated there against.
 - 4.1.1 “Abandonment” means absence of an Employee from work without a reasonable excuse for a period of 30 days or more without having communicated to the Employer any reason of absence.



- 4.1.2 **“Applicable Law”** means every law relating to Employee Stock Option Schemes in force, including, without limitation to, Companies Act, 2013, SEBI (SBEB & SE) Regulations, as amended, and all relevant revenue, tax, securities or exchange control regulations or corporate laws of India to the extent applicable.
- 4.1.3 **“Associate Company”** shall have the same meaning as defined in section 2(6) of the Companies Act, 2013, as amended from time to time.
- 4.1.4 **“Board of Directors”** means the Board of Directors of the Company.
- 4.1.5 **“Body Corporate”** shall have the same meaning as defined in section 2(11) of the Companies Act, 2013, as amended from time to time.
- 4.1.6 **“Cash Mechanism”** means a route under which the Grantee will receive the Shares equivalent to the number of the Options exercised after the Grantee has made the payment of the Exercise Price, applicable tax and other charges, if any, in accordance with the terms and conditions of the Scheme and as mentioned in grant letter.
- 4.1.7 **“Claw Back”** means a contractual agreement between the Grantee and the Company, being evidenced on the acceptance of the Grant, in which case the Grantee shall relinquish any benefit that accrued to or return any benefit that is received by such Grantee to the Company (directly / indirectly) under circumstances as specified in the Scheme.
- 4.1.8 **“Committee”** means Nomination and Remuneration Committee of the Company constituted by the Board of Directors and designated as Compensation Committee for the purpose of monitoring, administering, superintending, and implementing the Scheme in compliance with SEBI (SBEB & SE) Regulations.
- 4.1.9 **“Company”** means Bharat Gears Limited.
- 4.1.10 **“Corporate action”** means a change in the capital structure of the Company as a result of Bonus Issue, Rights Issue, Split of Shares and Consolidation of Shares.
- 4.1.11 **“Directors”** shall have the same meaning as defined under Section 2(34) of the Companies Act, 2013..
- 4.1.12 **“Employee”** means
- a. an Employee as designated by the Company, who is exclusively working in India or outside India; or ; or
 - b. a Director of the Company, whether a Whole Time Director or not, including



a Non-Executive Director who is not a Promoter or member of the Promoter Group, but excluding an Independent Director; or;

- c. an Employee as defined in sub-clauses (i) or (ii), of a Group Company including Subsidiary or its Associate Company, in India or outside India, or of a Holding Company of the Company

But does not include:

- a. an Employee who is a Promoter or a person belonging to the Promoter Group; or
- b. a Director who either himself or through his Relative or through any Body Corporate, directly or indirectly, holds more than ten percent of the outstanding Shares of the Company.

4.1.13 “**Eligibility Criteria**” means the criteria, as may be determined from time to time by the Committee, for the grant of Options.

4.1.14 “**Exercise**” means making an application, in such manner and in such format as may be prescribed by the Committee, from time to time, by the Grantee, to the Committee/ Company for issue of Shares, against vested Options.

4.1.15 “**Exercise Period**” means the time period after vesting within which a Grantee can exercise his right to apply for Shares against the vested Options.

4.1.16 “**Exercise Price**” means the price payable by the Grantee for exercising the Options vested in him in pursuance to the Scheme.

4.1.17 “**Grant**” means the issue of Options to the Grantee under the Scheme.

4.1.18 “**Grant Date**” means the date on which the Committee approves the grant

Explanation: For accounting purposes, the grant date will be determined in accordance with applicable accounting standards.

4.1.19 “**Group**” means two or more companies which, directly or indirectly, are in a position to—

- (i) exercise twenty-six per cent. or more of the voting rights in the other company; or
- (ii) appoint more than fifty per cent. of the members of the Board of Directors in the other company; or
- (iii) control the management or affairs of the other company;



- 4.1.20 **“Grantee”** shall mean Employee to whom Options have been granted under the Scheme.
- 4.1.21 **“Independent Director”** shall have the same meaning assigned to it under the Securities and Exchange Board of India (LODR) Regulations.
- 4.1.22 **“Market price”** means the latest available closing price on a recognized stock exchange on which the Shares of the Company are listed on the date immediately prior to the relevant date.

Explanation – As the Shares of the Company got listed on more than one recognized stock exchange, then the closing price on the recognized stock exchange having higher trading volume shall be considered as the market price.

- 4.1.23 **“Options / Employee Stock Options”** means a right but not an obligation granted to a Grantee to purchase or subscribe at a future date, the Shares offered by the Company, directly or indirectly, at a pre- determined price, in accordance with this Scheme.
- 4.1.24 **“Long Leave”** means an approved leave taken by the Grantee for a period of more than three months out of twelve months starting from the date of grant / vesting, as the case may be.

Provided that the period of long leave shall not include the period in which the Grantee is on a sabbatical. In all other events including approved earned leave and sick leave, the period of leave shall be included to calculate the Long Leave unless otherwise determined by the Committee.

- 4.1.25 **“Permanent Incapacity”** means any disability of whatsoever nature, be it physical, mental or otherwise, which incapacitates or prevents or handicaps a Grantee from performing any specific job, work or task which the said Grantee was capable of performing immediately before such disablement, as determined by the Committee Directors based on a certificate of a medical expert identified by the Company.
- 4.1.26 **“Promoter”** shall have the same meaning assigned to it under the SEBI (Issue and Capital and Disclosure) Regulations, 2018. .
- 4.1.27 **“Promoter Group”** shall have the same meaning assigned to it under the SEBI (Issue and Capital and Disclosure) Regulations, 2018.
- 4.1.28 **Recognised Stock Exchange”** means a stock exchange which has been granted recognition under section 4 of the Securities Contracts (Regulation) Act, 1956.
- 4.1.29 **“Relative”** shall have the same meaning as defined in section 2(77) of the Companies Act, 2013, as amended from time to time.



- 4.1.30 **“Relevant date”** means the date of the meeting of the Committee on which the grant is made.
- 4.1.31 **“Scheme”** shall mean Bharat Gears Limited - Employee Stock Option Scheme 2021 and shall include any alteration(s), amendment(s), addition(s), deletion(s), modification(s), or variation(s) thereof from time to time.
- 4.1.32 **“SEBI (SBEB & SE) Regulations”** means the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and shall include any alteration(s), amendment(s), addition(s), deletion(s), modification(s), or variation(s) thereof.
- 4.1.33 **“SEBI (LODR) Regulations”** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and shall include any alteration(s), amendment(s), addition(s), deletion(s), modification(s), or variation(s) thereof.
- 4.1.34 **“Shares”** means Equity Shares of the Company.
- 4.1.35 **“Unvested Option”** means an Option, which is not vested.
- 4.1.36 **“Vested Option”** means an Option, which has vested in pursuance to the Scheme and has thereby become exercisable.
- 4.1.37 **“Vesting”** means the process by which the Grantee becomes entitled to receive the benefit of a grant made to him under the Scheme.
- 4.1.38 **“Vesting Date”** means the date on and from which the Option vests with the Grantees and there by becomes exercisable.
- 4.1.39 **“Vesting period”** means the period during which the vesting takes place.
- 4.1.40 **“Whole Time Director”** shall have the same meaning as defined in section 2(94) of the Companies Act, 2013, as amended from time to time.

Interpretation:

In this document, unless the contrary intention appears:

- a) *The singular includes the plural and vice versa;*
- b) *The word “person” includes an individual, a firm, a body corporate or unincorporated body or authority; and*
- c) *Any word or expression importing the masculine, feminine or neutral genders only, shall be taken to include all three genders.*



- d) *Any word which is not defined under the Scheme shall be interpreted in line with SEBI (SBEB & SE) Regulations, Securities and Exchange Board of India Act, 1992 (15 of 1992), the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or the Companies Act, 2013 (18 of 2013) and any statutory modification or re-enactment thereto, shall have the meanings respectively assigned to them in those legislation.*
- e) *Articles headings are for information only and shall not affect the construction of this document.*
- f) *A reference to an article is respectively a reference to an article of this document.*
- g) *Reference to any Act, Rules, Statute or Notification shall include any statutory modification, substitution or re-enactment thereof.*

5. Implementation & Administration:

- 5.1 The Scheme shall be implemented through direct route for extending the benefits to the eligible Employees by the way of fresh allotment and will follow cash mechanism.

Provided that if prevailing circumstances so warrant, the Company may change the mode of implementation of the Scheme subject to the condition that a fresh approval of the Shareholders by a special resolution is obtained prior to implementing such a change and that such a change is not prejudicial to the interests of the Grantees.

- 5.2 The Company will allot fresh Shares to the Grantees upon successful exercise of Options in accordance with terms and conditions of the Scheme.
- 5.3 Subject to applicable laws and the framework laid down by the Board of Directors, the Scheme shall be administered by the Committee which may delegate some or all of its power to any other Sub – Committee or Persons for proper administration of the Scheme.
- 5.4 The Committee is authorized to interpret the Scheme, to establish, amend and rescind any rule(s) and regulation(s) relating to the Scheme and to make any other determinations that it deems necessary or desirable for the administration and implementation of the Scheme.
- 5.5 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 the parties concerned (including but not limited to, Grantee and/or Employee and their Nominees / Legal heirs).
- 5.6 The Committee shall subject to applicable laws, inter alia, have powers to do following:
- 5.6.1 To delegate its duties and powers in whole or in part as it may decide from time to time to any person or sub-Committee.
 - 5.6.2 To decide upon stopping the Options which were lapsed, forfeited or surrendered under any provisions of the Scheme from re granting.



- 5.6.3 To increase or decrease the pool of Options to be granted under Scheme.
- 5.6.4 To increase or decrease the pool of Shares to be issued under Scheme.
- 5.6.5 To identify the Employees eligible to participate in the Scheme.
- 5.6.6 To finalize the eligibility criteria for grant of Options.
- 5.6.7 To determine the Employees eligible for grant of Options.
- 5.6.8 To determine the number of Options to be granted to each Grantee and in aggregate subject to the pool of Options of the Scheme.
- 5.6.9 To decide upon granting of Options to new Joinees.
- 5.6.10 To determine the grant date.
- 5.6.11 To grant Options to one or more eligible Employees.
- 5.6.12 To calculate the exercise price after giving discount on the market price, if deems fit.
- 5.6.13 To extend the period of acceptance of grant.
- 5.6.14 To decide the vesting period subject to minimum and maximum period of vesting as stated in Scheme.
- 5.6.15 To determine the vesting schedule for each Grantee.
- 5.6.16 To finalize the eligibility criteria for vesting of Options.
- 5.6.17 To determine the Employees eligible for vesting of Options.
- 5.6.18 To decide upon the mode and manner of exercise.
- 5.6.19 To allot Shares to Grantees upon exercise.
- 5.6.20 To decide upon treatment of vested and unvested Options in cases of cessation of employment as specified in the Scheme.
- 5.6.21 To decide upon the treatment of vested and unvested Options in the event of Corporate Actions taking into consideration the following:
 - a. the number and price of Options shall be adjusted in a manner such that the total value to the Grantee of the Options remains the same after the Corporate Action;
 - b. the vesting period and the life of Options shall be left unaltered as far as possible to protect the rights of the Grantee who has been granted such Options.
- 5.6.22 To cancel all or any granted Options in accordance with the Scheme.
- 5.6.23 To accelerate the vesting of Options on a case to case basis, subject to completion of minimum 1 year from the date of grant.
- 5.6.24 To decide upon treatment of vested and unvested Options in cases of dispute between the Grantee and Company.
- 5.6.25 To finalize letters and other documents, if any, required to be issued under the Scheme.
- 5.6.26 To re price the Options which are not exercised, whether or not they have been vested, if the Options rendered unattractive due to fall in the price of the Shares in the market.
- 5.6.27 To establish, amend, suspend or waive such rules and regulations as it shall deem appropriate for the proper administration of the Scheme.



- 5.6.28 To appoint such agents as it shall deem necessary for the proper administration of the Scheme.
- 5.6.29 To determine or impose other conditions to the grant of Options under the Scheme, as it may deem appropriate.
- 5.6.30 To frame suitable policies and procedure to ensure that there is no violation of securities laws, including the SEBI (Prohibition of Insider Trading) Regulations, 2015 and the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003 as amended, by the Company or the Employees.
- 5.6.31 The procedure for buy-back of Options granted issued under the Scheme, if to be undertaken at any time by the Company, and the applicable terms and conditions, including:
- i. permissible sources of financing for buy-back;
 - ii. minimum financial thresholds to be maintained by the Company as per its last financial statements; and
 - iii. quantum of Options that the Company may buy-back in a financial year.

5.7 The powers and functions of the Committee can be specified, varied, altered or modified from time to time by the Board of Directors, subject to the rules and regulations as may be in force. The Board of Directors may further provide that the Committee shall exercise certain powers only after consultation with the Board of Directors and in such case, the said powers shall be exercised accordingly.

5.8 A member of the Committee shall abstain from participating in and deciding on any matter relating to grant of any Options to himself.

6. Pool of the Scheme:

- 6.1 The maximum number of Options that may be granted pursuant to this Scheme shall not exceed 10% of the Paid Up Capital of the Company as on March 31, 2021, comprising into 9,30,610 (Nine Lakhs Thirty Thousand Six Hundred Ten) Options which shall be convertible into equal number of Shares.
- 6.2 If any Option granted under the Scheme lapses or is forfeited or surrendered under any provision of the Scheme, such Option shall be available for further grant under the Scheme unless otherwise determined by the Committee.
- 6.3 Further, the maximum number of Options that can be granted and the Shares arise upon exercise of these Options shall stand adjusted in case of corporate action.
- 6.4 The Company reserves the right to increase or decrease such number of Options and Shares as it deems fit, in accordance with the applicable laws.