

**Sub.:** Clarification\_ REFEX

**Ref.:** Your email dated September 06, 2021 seeking clarification of proposed Employee Stock Option Plan ('ESOP')

Dear Sir / Ma'am,

Our response to your queries / clarification on the announcement submitted by Reflex Industries Limited ('the Company') with your office on September 02, 2021, sought through your email dated September 06, 2021 are as follows:

1. Whether the scheme is in terms of SEBI (SBEB) Regulations, 2014 (if applicable)

***Our Response:***

The Employee Stock Option Scheme i.e. '**Reflex Employee Stock Option Scheme 2021**' ("ESOP 2021"/ "**Scheme**") has been drafted pursuant to the provisions of Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("**SEBI (SBEBSE) Regulations**") issued by Securities Exchange Board of India ("**SEBI**") vide notification dated August 13, 2021. The SEBI (SBEBSE) Regulations has replaced the Securities Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("**SEBI (SBEB) Regulations**").

2. Total number of shares covered by these options

***Our Response:***

In the Board Meeting held on September 02, 2021, the Board has approved to create, and grant from time to time, in one or more tranches, options not exceeding **20,00,000 (Twenty Lac Only)** to or for the benefit of the Eligible Employees of the Company, its subsidiaries, associate, group and holding company. Each option, when exercised shall result in one equity share of face value of Rs. 10/- each of the Company, thus resulting in **20,00,000 (Twenty Lac only)** equity shares.

3. Pricing formula

***Our Response:***

As per the Scheme, the Compensation Committee, is authorized to determine the exercise price payable by an employee. The exercise price shall be discount to the Market Price as on the date of grant and shall confirm to the accounting policies as applicable to the Company.

The Company shall follow 'IND AS 102- Accounting for Share Based Payment and/or any relevant Accounting Standards as may be prescribed by the competent authorities from time to time, including the disclosure requirements prescribed therein in compliance of SEBI (SBEBSE) Regulations. The Company shall adopt Fair Value of the options using an option pricing model as on the date of grant.

**Reflex Industries Ltd.,**

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4. Brief details of significant terms:

**Our Response:**

Brief details of the significant terms of the proposed 'Refex Employee Stock Option Scheme 2021' are as follows:

**a) Brief description of the Scheme:**

The proposed Scheme seeks to reward eligible employees by way of granting options, which when exercisable results in equivalent equity shares of the Company, with a view to reward their association and loyalty which has resulted in corporate growth and value creation over a long period of time. The Scheme shall also be instrumental in making such eligible employees as co-owners with appropriate vesting period, which would motivate them for ensuring higher corporate growth and creation of value for all stakeholders.

**b) Total number of Options/ Shares to be granted:**

The maximum number of options to be granted shall not exceed 20,00,000 (Twenty Lakh). As per the SEBI (SBEBS) Regulations, in case of any corporate action(s) such as sub division, consolidation of shares, rights issues, bonus issues, reorganization of capital structure of the Company and others, the Compensation Committee shall adjust the number of shares available for offer and purchase price payable by the eligible employees in such a manner that the total value of shares available for offer remain the same after any such corporate action(s).

**c) Identification of classes of employees entitled to participate in the Scheme:**

The following classes of employees ("Employees"), subject to their selection as per eligibility criteria, as may be decided by the Compensation Committee, shall be entitled to participate in the Scheme:

- an employee as designated by the Company, exclusively working in India or out of India; or
- 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
- an employee as defined in sub-Clause (a) and (b) above 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:
  - i. an employee who is a Promoter or a person belonging to the Promoter Group; or
  - ii. a director who either himself or through his Relative or through anybody corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the Company.

**d) Requirements of vesting and period of vesting:**

There would be a minimum vesting period of one year from the date of grant. The options granted shall be a mixture of time-based vesting as well as performance-based vesting. The Company is proposing that 60% of the total options shall be time-based vesting which shall vest in a graded manner as to be decided by the Compensation Committee and specified in the grant letter to be issued to the eligible employee. 40% of the total options shall be performance-based vesting and shall vest upon satisfaction of performance condition to be decided by the Committee and specified in the grant letter.



**e) Maximum period within which the units shall be vested:**

The maximum period within which the vested options shall be exercised is 10 years from the date of vesting.

**f) Exercise price or pricing formula:**

As per the Scheme, the Compensation Committee, is authorized to determine the exercise price payable by an eligible employee. The exercise price shall be discount to the Market Price as on the date of grant and shall confirm to the accounting policies as applicable to the Company.

The Company shall follow 'IND AS 102- Accounting for Share Based Payment and/or any relevant Accounting Standards as may be prescribed by the competent authorities from time to time, including the disclosure requirements prescribed therein in compliance of SEBI (SBEBSE) Regulations. The Company shall adopt Fair Value of the options using an option pricing model as on the date of grant.

Market price means the latest available closing price of shares on a recognized stock exchange on which the shares of the Company are listed on the date immediately prior to the relevant date and which has recorded the highest trading volume as on the trading day.

**g) Exercise period, and process of exercise/ acceptance of Shares:**

Once the offer is made, the eligible Employee who intend to participate in the Scheme shall be required to accept such offer within the offer period or the extended offer period, as the case may be. The offer shall lapse and shall be cancelled in case an eligible Employee fails to submit the acceptance of the offer before the closure of the offer period or extended offer period.

The eligible Employee shall submit the acceptance of the offer along such other documents as may be required under the Scheme to the Company in such form as may be prescribed. After submission of acceptance of offer, the eligible Employees are required to satisfy vesting conditions as stated in the Scheme/ grant letter, and upon satisfaction of the vesting conditions, within the exercise period, make payment of the exercise price along with applicable taxes for obtaining the Shares.

The commencement and closure dates of offer period, extended offer period and payment window, respectively, as decided by the Compensation Committee, shall be specified in the grant letter to be issued to the eligible employees.

**h) Appraisal process for determining the eligibility of employees under the Scheme:**

The appraisal process for determining the eligibility of the employees will be in accordance with the Scheme or as may be determined by the Compensation Committee at its sole discretion. The quantum of options offered will vary depending on the designation, level and grade, future potential of the eligible employee in success of the Company, etc.

**i) Maximum number of Shares to be offered per Employee and in aggregate:**

The maximum number of options that can be granted to any eligible employee during any one-year shall not equal or exceed 1% of the issued capital of the Company at the time of grant of options except

where a separate approval from the shareholders of the Company is obtained. In aggregate the total grant to employees will not exceed 20,00,000 (Twenty Lakh) options

**j) Maximum quantum of benefits to be provided per employee under the Scheme:**

The Scheme does not contemplate any benefit other than allowing eligible employee to receive equity Shares of the Company upon exercise of options. In this context, the maximum benefit shall be the maximum number of Shares that can be offered as stated above.

**k) Whether the Scheme is to be implemented and administered directly by the Company or through a trust:**

This Scheme shall be administered by the Compensation Committee working under the powers delegated by the Board, in accordance with the SEBI (SBESW) Regulations.

**l) Whether the Scheme involves new issue of shares by the Company or secondary acquisition by trust or both**

This scheme shall involve new issue of shares by the Company.

**m) Accounting and Disclosure Policies:**

The Company shall follow 'IND AS 102- Accounting for Share Based Payment and/or any relevant Accounting Standards as may be prescribed by the competent authorities from time to time, including the disclosure requirements prescribed therein in compliance of SEBI (SBESW) Regulations.

**n) Mandatory lock-in period under the Scheme:**

The Shares allotted/ transferred pursuant to the Exercise of the Vested Options shall not be subject to any lock-in period.

We request you to kindly take the same on record and let us know in case you need any further information / clarification.

Thanking you,

Yours' faithfully

For **Reflex Industries Limited**

  
**S. Gopalakrishnan**  
Company Secretary  
ICSI Membership No. A3588

