

CHAPTER XI

EMPLOYEES STOCK OPTION SCHEME (ESOS)

1. DPE/Guidelines/XI/1 Employees' Stock Option Scheme (ESOS)

As a part of the reform measures for the PSEs, and to achieve the objective of increasing efficiency, productivity and profitability of the enterprises, and in order to encourage a sense of involvement and mutuality of interests of the enterprises and their employees, the Govt. have decided to introduce a mechanism i.e. Trust called "Employees' Mutual Benefit Fund". The broad guidelines governing the Trust would be as under:-

- (i) This scheme would benefit the employees, including the new entrants on an on-going basis.
- (ii) The Trust would have multifarious functions like holding shares to be offered to the employees, extending financial support, handling investments and undertaking buy-back of shares, etc.
- (iii) The beneficiaries of the Trust will be regular employees of the company who voluntarily contribute to the scheme by investing their savings in the share and other instruments of the company.
- (iv) Each beneficiary may contribute each financial year to the trust a sum not exceeding 1/6th of his annual pay plus DA.
- (v) The Trust will issue non-transferrable beneficiary's certificate(s) against the contribution made by the beneficiaries.
- (vi) The price at which they will be issued/accepted for surrender from year to year will be decided by the Trust based on the net worth of the Trust at the end of the previous financial year.
- (vii) The Trustees shall distribute to the beneficiaries the net earnings in proportion to the principal and periodicity of the beneficiary certificate(s) as held by the beneficiary during the year.
- (viii) An employee automatically will cease to be a beneficiary on retirement or death while in service.
- (ix) The trustees shall pay to the beneficiary within one month of the date of surrender of the beneficiary certificates.
- (x) The Trust will be managed by Trustees nominated by the Board of Directors of the Enterprise.
- (xi) This scheme would be applicable to all cases of disinvestment or fresh issue of equity by the enterprises and would be subject to provision of Company Law and SEBI guidelines as applicable from time to time.
- (xii) The Trust would normally have an independent existence, an arm's length relationship with management as well as the labour in terms of its professional decision making and would have professional and independent Members also on its Board.
- (xiii) It would not be necessary for the PSEs to seek specific approval of the Government for promulgation of the scheme within the broad parameters.

2. The Employees' Mutual Benefit Fund is broadly based on the mutual fund/trust in operation in Maruti Udyog Limited. The public enterprises are expected to adopt the basic MUL model.

3. However, the enterprises specific schemes may incorporate changes to suit their own requirements without altering the basic structure/character/ objective underline the principles of the scheme. This may cover matters of detail like the number of trustees, the face value of the certificate, the periodicity of holding a certificate and rate of bonus etc., which may be determined keeping in view the enterprise specific factors. A copy of the salient features of MUL employees mutual fund are at page 1 to 4 and the proforma for the Trust Deed at page 5 to 18 of the Annexure.

4. The public enterprises under the control of the Ministries/ Departments may please be advised suitably to set up the Employees Mutual Benefit Fund for purpose of allocation of shares to the employees.

5. Administrative Ministries concerned may device suitable monitoring mechanism as early as possible to operate the said Trust and monitor its implementations under broad guidelines as elaborated above.

6. Action taken in this regard may be informed to this Department.

MARUTI UDYOG LIMITED EMPLOYEES MUTUAL BENEFIT FUND

SALIENT FEATURES

1. TRUST

The Trust shall be known as “The Maruti Udyog Limited Employees Mutual Benefit Fund” (hereinafter called the Trust).

2. OBJECTS OF THE TRUST

- a) To provide benefits to beneficiaries of the Trust by investing their savings in shares, stocks, debentures, bonds or other financial instruments of the settlor or any of its subsidiaries, associated companies or designated companies.
- b) To promote the habit of thrift and channelise savings of the employees to secure for them a reasonable return on such savings.
- c) To give the employees a sense of involvement in, and identification with, the work carried on by Maruti Udyog Limited so as to achieve in a greater measure a higher mutuality of interest among the employees, in a common endeavour to increase productivity.
- d) Any other objects ancillary or incidental to the objects mentioned hereinabove.

3. BENEFICIARY

Beneficiary of the Trust will only be the regular employees of Maruti Udyog Limited who voluntarily contribute to the Trust.

4. NUMBER OF TRUSTEES

The Trust will be managed by nine Trustees nominated by the Board of Directors of Maruti Udyog Limited. Of these one will be the Chairman, four will represent L1 to L7 and four will represent L8 and above. The President and General Secretary of Maruti Udyog Employees Union would be ex-officio Trustees and shall be included in the four Trustees representing L1 to L7.

5. SUBSCRIPTION

Each beneficiary, may during each financial year, contribute to the Trust a sum not exceeding 1/6th of his annual pay plus DA.

6. BENEFITS TO THE BENEFICIARIES

The Trust will issue non-transferable beneficiary certificates against the contributions made by the beneficiaries. The beneficiary certificates will have a face value of Rs.100/- each. However, the price at which they will be issued/accepted for surrender from year to year will be decided by the Trust based on the net worth of the Trust at the end of the relative previous financial year.

7. INVESTMENT OF TRUST FUNDS

The Trustees shall invest the funds received by them from time to time from the beneficiaries in the shares, stocks, debentures, bonds or other financial instruments that may be issued from time to time by Maruti Udyog Limited or any of its subsidiaries, associated companies or designated companies.

8. DISBURSEMENTS

The Trustees shall at the end of each year prepare a statement of income and expenditure of the Trust and arrive at the net earnings for the year. The Trustees shall distribute to the beneficiaries the net earnings in proportion to the number and period of beneficiary certificate(s) as held by the beneficiary during the year.

9. CEASING TO BE A BENEFICIARY/SURRENDER OF BENEFICIARY CERTIFICATE(S)

- i) Any beneficiary under the Trust is entitled to opt out of the Trust and cease to be a beneficiary by sending with one month's notice an application along with the beneficiary certificate(s) to the Trust for payment by the Trust in accordance with the provisions in sub-para (iv).
- ii) An employee automatically ceases to be a beneficiary on retirement or death while in service. A full-time Director ceases to be beneficiary on completion of his terms of office unless reappointed. In all such cases the beneficiary certificates should be surrendered to the Trust for payment by the Trust in accordance with the provisions in sub-para (iv). In the event of death the payment will be made to the legal heirs/nominees of the beneficiary as per procedure that may be prescribed.

iii) A beneficiary may also surrender one or more of the beneficiary certificate to the Trust along with an application for payment by the Trust in accordance with the provisions in sub-para (iv).

iv) In all the cases mentioned in sub-paras (i), (ii) and (iii) above, the Trustees shall pay to the beneficiary, within one month from the date of surrender of the beneficiary certificate(s), the value of the beneficiary certificates so surrendered calculated at the applicable rate relevant to the date of surrender. In addition, the Trustees shall pay a bonus as under:

NUMBER OF YEARS FOR WHICH THE BENEFICIARY CERTIFICATE(S) HAS/HAVE BEEN CONTINUOUSLY HELD BY THE BENEFICIARY	RATE OF BONUS ON THE AMOUNT PAYABLE ON THE BENEFICIARY CERTIFICATES SURRENDED
10 years and above up to 15 years	5 %
15 years and above up to 20 years	10%
20 years and above	15%