



**RP - Sanjiv Goenka
Group**

Growing Legacies

May 29, 2015

Mr. Anjan Patel

AGM - Corporation Finance Department
Securities and Exchange Board of India

SEBI Bhavan

Plot No C4 - A

G Block

Bandra Kurla Complex

Bandra East

Mumbai - 400 051



SEBI/IW/P/20150605/0000026761

Dear Sir,

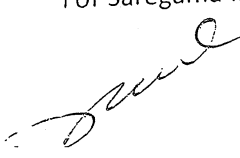
Re: Request for Informal Guidance by way of interpretative letter under provisions of SEBI (Informal Guidance) Scheme, 2003 in connection with alignment of existing employee benefits scheme with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations 2014, ("SEBI Employee Benefits Regulations").

With reference to your letter no. CFD/PC/AP/OW/11679/2015 dated April 27, 2015 followed by telephonic conversation and e-mails, we are enclosing a draft copy of our Company 'Stock Appreciation Rights Scheme 2014'.

Kindly process our application by providing us your informal guidance.

Thanking You,

Yours faithfully,
For Saregama India Limited


Tony Paul
Compliance Officer

Encl : As above.

SAREGAMA INDIA LIMITED

STOCK APPRECIATION RIGHTS SCHEME 2014

This Stock Appreciation Rights Scheme has been formulated by the Nomination and Remuneration Committee of the Board of Directors of Saregama India Limited (**"the Company"**) and approved by it at its meeting held on 13th August 2014 and the shareholders of the Company in their 68th Annual General meeting held on [2], 2015 and in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (**"SEBI Employee Benefits Regulations"**) prescribed by the Securities and Exchange Board of India, as amended.

1. SHORT TITLE, EXTENT AND COMMENCEMENT

- 1.1 This Scheme may be called the 'Saregama Stock Appreciation Rights Scheme – 2014', which for the sake of brevity is hereinafter referred to as the 'Scheme'.
- 1.2 It applies only to such permanent Employees (defined hereunder), who are in whole time employment of the Company (defined hereunder) including a Director whether in employment or not and also such permanent Employee of such of the Company's subsidiary companies (now or hereinafter existing), including a whole time director/ managing director of the subsidiary, who are in such Grades and Levels as may be decided by the Nomination and Remuneration Committee and who qualify for grant of Stock Appreciation Rights ('SAR') under this Scheme but does not include Independent Directors.
- 1.3 The Scheme shall come into effect on 13th August 2014.

2. OBJECT

This Scheme has been drafted with the object of granting employee benefits in the form of 'Stock Appreciation Rights' at the discretion of the Company, to such Employees and Directors of the Company and its subsidiaries, who are eligible and shall qualify under the Scheme. This Scheme has been so designed as to:

- 2.1 To create a destination company for high caliber talent.
- 2.2 To create a line of sight for Employees with the overall organizational performance.
- 2.3 To create a sense of ownership amongst Employees.
- 2.4 To create wealth for Employees through a reward mechanism linked to the company's performance.

3. **DEFINITIONS**

- 3.1 In this Scheme, unless the context otherwise requires,
 - a) "Applicable Law" means any statute, law, regulation, ordinance, rule, judgment, rule of law, order, decree, clearance, approval, directive, guideline, policy, requirement, or other governmental restriction or any similar form of decision, or determination by, or any interpretation or administration of any of the foregoing by, any statutory or regulatory authority whether in effect as of the date of this Scheme or thereafter and in each case as amended.
 - b) "Appreciation" means the difference between the market price of the share of the Company on the date of Exercise of stock appreciation right ('SAR') and on the Grant date of the SARs;
 - c) "Board" means the Board of Directors for the time being of the Company.
 - d) "Company" means Saregama India Limited which expression shall unless be repugnant to the context or meaning thereof be deemed to include its successors and permitted assigns.
 - e) "Nomination and Remuneration Committee" means a Committee of Directors of the Company as constituted by the Board of Directors of the Company on 13th August 2014 entrusted with the authority to formulate, implement and administer the Scheme.
 - f) "Director" means a member of the Board of Directors of the Company.

- g) "Eligible Employee" means a permanent Employee, including a Director whether the whole-time director or otherwise and also such permanent Employee of such of the Company's subsidiary companies (now or hereinafter existing), including a Wholetime Director / Managing Director of the subsidiary, who are in such Grades or Levels as may be decided by the Compensation Committee and who qualify for grant of SARs under this Scheme but does not include:
- (i) A employee who is a promoter or belongs to the promoter group; or
 - (ii) A director, who either by himself or through his relatives or through any body-corporate, directly or indirectly holds more than 10% of the outstanding Shares of the Company at the time of granting of SARs; or
 - (iii) Independent Director
- h) "Employee" means a permanent Employee, including a Director whether the whole-time director or otherwise and also Employee of such of the Company's subsidiary companies (now or hereinafter existing), including a whole-time director / managing director of the subsidiary.
- i) "Exercise" means making an application by the Employee to the Company for issue of shares against Vested SARs in pursuance Of the Scheme;
- j) "Exercise Application" means the application form as may be prescribed, in which the SAR Grantee has the option to exercise its right under the Scheme.
- k) "Exercise Period" means the time period after vesting within which an Employee should exercise his right to apply for Vested SAR in pursuance of this Scheme, as the case may be;
- l) "Exercise Price" means the market price or at such discount to the market price as may be determined by the Nomination and Remuneration Committee.
- m) "Grant" means the process whereby the Board of Directors/ Nomination and Remuneration Committee passes a resolution granting a specified number of SARs to Employees, under this Scheme.

- n) "Letter of Grant" means the letter issued by the Company intimating the Eligible Employee of grant of specified number of SAR.
- o) "Permanent Disability" means, with respect to a person, a physical or mental impairment of sufficient severity that, in the opinion of the Company, the person is unable to continue performing the duties the person performed before such impairment and that impairment or condition is cited by the Company as the reason for termination of person's employment with the Company.
- p) "Resignation" means the cessation of employment on the own volition of an Employee prior to his date of retirement/ superannuation.
- q) "Retirement" means the cessation of employment of the Employee on reaching the age of retirement / superannuation as specified in the letter of appointment or such other period as may be agreed to by the employer and shall include voluntary retirement prior to the date of retirement / superannuation with the consent of the employer.
- r) "SAR Grantee" means an Eligible Employee to whom SAR is granted;
- s) "SAR Price" means the market price of the shares of the Company on the Grant date of the SAR;
- t) "Stock Appreciation Right or SAR" means the right to receive, in the form of cash, the difference in the Share price between the date of Grant and the date of Exercise, in respect of a certain number of Stock Appreciation Rights. ;
- u) "Scheme" means this Employee Stock Appreciation Rights Scheme of the Company.
- v) "SEBI" means the Securities and Exchange Board of India.
- w) "Share" means the equity Shares of the Company of a nominal face value of Rs.10/- each.

- x) "Subsidiary" means a subsidiary of the Company whether now or hereinafter existing, within the meaning of Section 2 (87) of the Companies Act, 2013.
- y) "Superannuation" shall have the same meaning as Retirement.
- z) "Termination" means the cessation of employment prior to the date of retirement / superannuation of an Employee at the instance of the employer.
- aa) "Vesting Period" means the period, from the date of grant of SARs till the date on which the SAR Grantee becomes eligible to exercise the SARs as the case may be.
- bb) "Vested SAR" means an SAR in respect of which the relevant Vesting Period is over.
- cc) "Unvested SAR" means an SAR in respect of which the relevant Vesting Period is not over.

3.2 All other expressions unless defined herein shall have the same meaning as have been assigned to them under the SEBI Employee Benefits Regulations, Securities and Exchange Board of India Act, 1992 or the Securities Contracts (Regulation) Act, 1956 or the Companies Act 2013 and any statutory modification or re-enactment thereof, as the case may be.

3.3 Any dispute, discrepancy or disagreement which shall arise under, or as a result of, or pursuant to or in connection with the Scheme shall be referred to the Nomination and Remuneration Committee and shall be determined by the Nomination and Remuneration Committee and any such determination / decision / interpretation by the Nomination and Remuneration Committee shall be final and binding on all persons affected thereby.

4. **SCOPE AND ELIGIBILITY**

The Scheme shall apply to the all Eligible Employees (excluding those whose employment is of a temporary or casual nature) in such Grades and Levels as may be decided at the discretion of the Nomination and Remuneration Committee from time to time.

5. ADMINISTRATION OF THE SCHEME

- 5.1 The maximum number of SARs granted to any one Eligible Employee shall not exceed 2,00,000 (two lac) in a financial year.
- 5.2 The Nomination and Remuneration Committee appointed by the Board shall administer the Scheme. The Nomination and Remuneration Committee so appointed by the Board shall be committee of such members of the Board as provided under Section 178 of the Companies Act, 2013 amended or modified from time to time. The Company has a Nomination and Remuneration Committee to choose Eligible Employees for grant of SARs. The Company would issue SARs to the Employees, as decided by the Board of Directors/ Nomination and Remuneration Committee.
- 5.3 Notwithstanding anything stated herein, but subject to the terms of the resolution passed by the shareholders at the Annual General Meeting of the Company held on [●], approving the grant of cash settled SAR to the Employees under an employees stock appreciation rights scheme and the regulations prescribed by the Securities and Exchange Board of India, the Nomination and Remuneration Committee in its absolute discretion has been authorized to determine all the terms governing the Scheme including any variation thereof and including but not limited to –
- a) determining the Eligible Employees amongst the categories of Employees to whom the SARs are to be granted,
 - b) the time when the SARs are to be granted for individual Employees,
 - c) the number of tranches in which the SARs are to be granted and the number of SARs to be granted in each such tranche,
 - d) determining whether SARs are to be vested for individual Employees in a particular year/tranche based on their performance,
 - e) the quantum of SARs to be granted at various points in time,
 - f) the criteria for determining the number of SARs to be granted to Employees,
 - g) the number of SARs to be granted to each Employee,

- h) the terms and conditions subject to which the SARs granted would vest in the Employee,
- i) the date of vesting of the SARs granted,
- j) the terms and conditions subject to which the SARs vested would be exercised by the Employee,
- k) the date within which the SARs have to be exercised by the Employee,
- l) the number of SARs to be apportioned / allocated for various grades of Employees,
- m) assignment of weightage to Company's performance, level / grade of Employee,
- n) the number of SARs reserved, if any, for granting to new Employees who would join the services of the Company,
- o) deciding the treatment of Unvested SARs upon dis-association of an Employee,
- p) deciding adjustments to grant size and Exercise Price of SARs in case of bonus issue or rights issue or share split or consolidation of Shares.
- q) obtaining permissions from, making periodic reports to regulatory authorities, as may be required and ensuring compliance with all guidelines applicable to the Scheme,
- r) framing suitable policies and systems to ensure that there is no violation by any participant of any Applicable Laws, including but not limited to Securities and Exchange Board of India (Insider Trading) Regulations, 1992 and Securities Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 and any modifications thereto,
- s) framing appropriate procedures for granting, vesting and exercising of SARs.

5.4 The terms prescribed by the Nomination and Remuneration Committee shall be final and binding on all the Employees.

6. GENERAL RISKS

Participation in this Scheme shall not be construed as any guarantee of return on the SAR. Any loss due to fluctuations in the market price of the equity and the risks associated with the investments is that of the Employee alone.

7. RIGHTS

7.1 Exercise of SAR:

The SAR holder may exercise the vested SARs in part or in whole. No fresh equity shares will be issued pursuant to the exercise of Stock Appreciation Rights by the Employee and the difference between the market price on the date of exercise of SAR and on the date of grant of SAR shall be payable by the Company in cash.

7.2 Transfer of SARs:

The SARs held by the Employee are not transferable except in the event of death of the Grantee as specified in Clause 8.1(g). The said SARs cannot be pledged / hypothecated / mortgaged or otherwise alienated in any other manner as per Applicable Laws.

7.3 Restrictions on Rights of SAR Holders:

The SAR Holders are not entitled to any rights which the shareholders enjoy including voting rights and rights in the Company as to dividend as per Applicable Laws.

8. SHARE APPRECIATION RIGHTS

8.1 Issue of SAR

- a) In the event of an SAR Grantee ceasing to be an Employee of the Company by reason of Resignation or dismissal of employment due to reasons of non-performance or otherwise, the Unvested SARs held by the SAR Grantee shall forthwith lapse.
- b) Where an SAR Grantee has disassociated from the Company and in the opinion of the Company is engaged in activities which are materially detrimental to the business or interests of the Company or its Employees, all the Vested and Unvested SARs held by the

SAR Grantee shall be cancelled partly or in full, as a disciplinary measure, at the sole discretion of the Nomination and Remuneration Committee.

- c) In the event of long term leave of any Employee, the Vested and Unvested SARs held by the SAR Grantee shall be treated as follows:
 - i) in case of leave up to a period of three months, the SARs will continue to vest as well as exercisable by the Employee,
 - ii) in case of leave for a period exceeding three months, the vesting / exercising of SARs by the Employees will be decided at the discretion of the Nomination and Remuneration Committee.
- d) In case of SARs vested but not exercised the SAR Grantee shall have to compulsorily exercise all the Vested SARs to the extent exercisable within a period of 3 months from the date of Resignation / termination. In the event that the SARs are not exercised within this period, the SARs would lapse.
- e) The SAR granted to the SAR Grantee shall not be transferrable to any person.
- f) The SAR granted to the SAR Grantee shall not be pledged, hypothecated, mortgaged or otherwise alienated by the SAR Grantee.
- g) In the event of death of an SAR Grantee all SARs granted to him shall be transferred to the legal heirs / nominee of the SAR Grantees. The SARs would be exercisable at any time within the Exercise Period.
- h) In case the Employee suffers a Permanent Disability while in employment, all the SARs granted to him as on the date of Permanent Disability, shall vest in him on that day.
- i) In the event of severance of employment of an SAR Grantee as a part of reconstitution / amalgamation/ sell-off etc., the Unvested SARs held by the SAR Grantee shall forthwith lapse. In case of SARs vested but not exercised the SAR Grantee shall have to compulsorily exercise all the Vested SARs to the extent exercisable within a period of 3 months from the date of

severance of employment. In the event that the SARs are not exercised within this period, the SARs would lapse.

- j) In the event of an SAR Grantee being transferred to a subsidiary company at instance of or with consent of the Company the SAR Grantee will have to immediately Exercise the SARs.
- k) In the event of Retirement of an SAR Grantee at the instance of or with consent of the Company the SAR Grantee will continue to hold all Vested SARs and can exercise them anytime within the Exercise Period. All Unvested SARs shall vest as per the vesting schedule. The SARs can be exercised at any time within the Exercise Period. The above is applicable provided the Eligible Employee does not enter into competition / is employed by a competitor.
- l) In the event of termination of the employment of an SAR Grantee for misconduct, including abandonment of employment without the Company's consent, breach of policies of the Company or the terms of employment, all SARs granted to such SAR Grantee, including the Vested SARs which were not exercised at the time of such misconduct shall stand terminated with effect from such date as shall be determined by the Nomination and Remuneration Committee. The decision of the Nomination and Remuneration Committee on this issue shall be final and binding.
- m) The SAR Grantees are not entitled to any rights which the shareholders enjoy including voting rights and rights in the Company as to dividend as per Applicable Laws.

8.2 Exercise of Stock Appreciation Rights.

- a) Each SAR entitles the SAR Grantee the Appreciation during the Exercise Period.

The exercise period shall commence from the date of vesting and expire at the end of ten years from the relevant vesting date i.e. where the options are vested in tranches, the 'date of vesting' referred to hereinabove, would be with reference to the actual vesting of the options at each tranche / phase or installment of vesting.

8.3 Vesting Period

- a) The SARs shall vest as per the following schedule:

After 1 year from the date of grant	:	66% of SARs granted
After 2 years from the date of grant	:	34% of SARs granted

- b) The grant and the vesting and exercise thereafter shall be subject to:
- i) continued satisfactory performance of the SAR Grantee as determined by the Company in the annual appraisal and communicated to him;
 - ii) no solicitation of SAR Grantee for two years after separation from the Company; and
 - iii) no solicitation of work from the clients of the Company for a period of two years after separation from the Company.
- c) The Company shall be entitled to seek remedy in the event of breach of any of the above conditions even after exercise of the SARs. Any waiver of the above conditions shall be at the sole discretion of the Nomination and Remuneration Committee.
- d) In case the SARs are not exercised by the Eligible Employee within the Exercise Period they will lapse and no rights will accrue after that date.

9. ACCOUNTING POLICIES

The Company shall conform to the accounting policies prescribed by SEBI and as specified by the SEBI Employee Benefits Regulations from time to time.

10. TAX LIABILITY:

10.1 In the event of any tax liability, including any tax liability due to change in the tax laws relating to this Scheme, arising on account of the exercise of SARs or any other event, to the Employee the liability shall be that of the Eligible Employee alone.

10.2 In the event of any tax liability, including any tax liability due to change in the tax laws relating to this Scheme, the Company on the advise of

the Nomination and Remuneration Committee shall have the right to collect the same from the SAR Grantees.

10.3 The SAR Grantee shall bear the applicable income tax, if any on the Appreciation received by them. The Company shall deduct the applicable tax on the payment of Appreciation in the same manner as it deducts tax on the amount of salary of the SAR Grantee.

11. CHANGES IN THE TERMS AND CONDITIONS OF THE SCHEME:

The Nomination and Remuneration Committee, subject to Applicable Laws including the provisions of SEBI Employee Benefits Regulations, may at any time at its discretion change the terms and conditions of the Scheme or terminate the same. This change however will not be to the detriment of the SAR Grantee under the Scheme.

12. CONFIDENTIALITY:

12.1 The Employee who holds any SARs under the Scheme shall not divulge the details of the Scheme and the SARs granted to and/or Shares vested in him to any person except with the prior permission of the Company obtained in writing.

12.2 The Employee shall enter into such agreement, as the Company may desire from time to time to more fully and effectively implement this Scheme.

13. CONTRACT OF EMPLOYMENT:

13.1 The rights and obligations of any individual under the terms of his office or employment with the Company shall not be affected by his participation in this Scheme.

13.2 Nothing in this Scheme shall be construed as affording such an individual any additional rights as to compensation or damages in consequence of the termination of such office or employment for any reason.

13.3 This Scheme shall not confer on any person any legal or equitable rights against the Company either directly or indirectly or give rise to any cause of action in law or equity against the Company.

13.4 This Scheme is purely at the discretion of the Company.

14. GOVERNING LAW AND JURISDICTION

- 14.1. The terms and conditions of the Scheme shall be governed by and construed in accordance with the laws of India.
- 14.2 The High Court of Kolkata, India shall have exclusive jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of this Scheme.
- 14.3 Nothing in this clause shall limit the right of the Company to bring proceedings against any Employee in connection with this Scheme:
- a) in any other court of competent jurisdiction; or
 - b) concurrently in more than one jurisdiction.

OR

Arbitration

All disputes arising out of or in connection with this Scheme shall be decided by binding arbitration by a sole arbitrator to be jointly appointed by the SAR Grantee and the Company in accordance with the provisions of the [Arbitration and Conciliation Act, 1996 (as amended from time to time)]. The place of Arbitration shall be Kolkata, India.

15. NO EMPLOYMENT RIGHTS CONFERRED

Nothing contained herein or in any SAR granted to the Employee shall:

- 15.1 give or confer upon such Employee any right for continuation of any employment with the Company, or
- 15.2 prohibit the Company from terminating the employment of such Employee at any time and for any reason whatsoever.

16. NO RESTRICTION OF CORPORATE ACTION

The existence of the Scheme and the benefits granted hereunder shall not in any way prohibit the Board of Directors or the shareholders or the Company from making or authorizing any change in capital structure, including any issue of shares, debt or other securities having any priority or preference with respect to the Shares or the rights thereof, provided that the provisions of the Scheme are complied with.

17. INSIDER TRADING

The SAR Grantee shall ensure that there is no violation of applicable regulations for the prevention of "insider trading" in shares and securities and for prevention of fraudulent and/or unfair trade practices relating to the securities market.

The Compensation Committee shall be entitled to frame such rules, regulations as may be necessary to ensure that there is no violation of the above referred regulations and/or practices.

18. NEW SCHEME

Nothing contained in the Scheme shall be construed to prevent the Company directly or indirectly by the Company, from implementing any other new plan for granting share appreciation rights, which is deemed by the Company to be appropriate or in its best interest, provided that such new plan shall not adversely impact the SAR Grantee or prejudice the rights of the SAR Grantee in relation to a Grant already made under this Scheme.

19. NOTICES

All notices or communications required to be given by the Company to the Eligible Employees by virtue of this Scheme shall be in writing at the addresses available in the records of the Company and any notice to be given by an Eligible Employee to the Company shall be addressed to the Board at the address mentioned below:

33, Jessore Road, Dum Dum, Kolkata - 700028, or to such other address as the Company may notify to the Eligible Employees from time to time.

20. PLAN SEVERABLE

This Scheme and the Letters of Grant issued from time to time, constitutes the entire agreement between the Company and the Employee in relation to its subject matter and supersedes all prior agreements and understandings whether oral or written with respect to such subject matter.

In the event that any term, condition or provision of this Scheme is held to be in violation of any applicable law, statute or regulation the same shall be severable from the rest of this Scheme and shall be of no force and effect and this Scheme shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Scheme.