ARTICLE 1
TITLE

This employee stock option plan of the Company (as defined hereunder) may be called the **HAPPY FORGINGS ESOP SCHEME 2023 (the "Plan")**.

ARTICLE 2
AUTHORITY

This Plan (as defined hereinafter) has been adopted by the Board of Directors (as defined hereinafter) by a resolution passed at its meeting on 31st July 2023 pursuant to the enabling authority granted by a special resolution passed by the shareholders of the Company in the Extra Ordinary General Meeting held on 31st July 2023

ARTICLE 3
OBJECTS

The objects of the **HAPPY FORGINGS ESOP SCHEME 2023** are:

1 To enable the Company to attract, retain and motivate talented Employees (as defined hereinafter) for the business of the Company;

2 To enhance the profitable growth of the Company and creation of shareholder value by aligning the interests of such Employees (as defined hereinafter) with the long-term interests of the Company and its shareholders; and

3 To create amongst such Employees (as defined hereinafter) a sense of ownership and participation in the Company; and to provide wealth creation opportunities in the hands of such Employee (as defined hereinafter) on a long-term basis.

ARTICLE 4
IMPLEMENTATION

The Plan, including all amendments, modifications and alterations hereto by the Company and/or the Board of Directors, shall be implemented and administered by the Company under the directions and at the discretion of the Nomination and Remuneration Committee under authority delegated to it by the Board of Directors in this regard from time to time.

ARTICLE 5
DEFINITIONS & INTERPRETATION

I) Definitions:

In this instrument the following expressions including their grammatical variations and cognate expressions shall, where the context so admits, have the following meaning:

5.1 **Applicable Law(s)** means and includes all statutes, enactments, acts of legislature or parliament, ordinances, rules, bye-laws, regulations, notifications, guidelines, policies, directions, and orders of any Government, statutory authority, tribunal, board, court or recognized stock exchange applicable to the Plan, including without limitation, the Companies Act read with the Companies (Share Capital and Debenture Rules), 2014, regulations of the Securities and Exchange Board of India, particularly in connection with or after Listing, including the SEBI (SBEB & SE) Regulations post IPO and all relevant tax laws, securities, exchange control or corporate laws, including any circular, notification issued thereunder of India or any relevant jurisdiction or of any Stock Exchange on which the Shares (as defined hereinafter) may be listed or quoted and includes, any amendment, modification, alteration or re-enactment made to such laws, rules, regulations or bye-laws;

5.2 **Applicable Taxes** means any taxes by whatever name called, required to be deducted or paid or adjusted in connection with either the grant or vesting or exercise of Options or sale of the Shares, arising pursuant to the Options;

5.3 **Associate Company** shall have the same meaning as defined under section 2(6) of the Companies Act;

5.4 **Board** or **Board of Directors** means the board of directors of the Company including any duly constituted committee as the context requires;

5.5 **Change in Capital Structure** means a change in the capital structure of the Company as a result of re-classification of Shares, consolidation of Shares, splitting-up of the face value of Shares, sub-division of Shares, issue of bonus Shares, issue of Shares on a rights basis to other shareholders, conversion of Shares into other shares or Securities and any other change in the rights or obligations in respect of Shares;

5.6 **Change in Control Value** means the amount determined in Clause (i), (ii) or (iii) below, whichever is applicable, as follows:

(i) the price per Share offered, whether in cash or otherwise, to shareholders of the Company in any merger, de-merger, consolidation, amalgamation, sale of assets or dissolution transaction, or

(ii) the price per Share offered, whether in cash or otherwise, to shareholders of the Company in any open offer or exchange offer whereby a Corporate Action occurs, or

(iii) if a Corporate Action occurs other than as described in Clause (i) or Clause (ii) above, the Fair Value of the Share determined by the Board of Directors as on the date determined by the Board of Directors to be the date of cancellation and surrender of Options. If the consideration offered to shareholders of the Company in the event of a Corporate Action consists of anything other than cash, the Board of Directors shall determine the fair cash equivalent of the portion of the consideration offered which is other than cash;

5.7 **Companies Act** means the Companies Act, 2013 along with the relevant rules, regulations, clarifications, circulars and notifications issued thereunder, and shall include any statutory amendment, modification or substitution thereof;

5.8 **Company** means **HAPPY FORGINGS LIMITED**, a company incorporated under the provisions of the Companies Act and having its registered office at 2254/1, Kanganwal Road, P O Jugiana, Ludhiana (Pb)- 141120 and its successors and assigns and where the context so requires includes in case of matters relating to employment, shall include its Holding Company and/or its Subsidiary, if any;

5.9 **Corporate Action** means

(i) rights/ bonus issue

(ii) reorganisation of the Shares

(iii) restructuring of the share capital of the Company;

(iv) Other reorganization of the Company in which the Shares are converted into or exchanged for:

- a different class of securities of the Company, or
- any securities of any other issuer, or
- cash, or
- other property;

(v) Sale, lease or exchange of all or substantially whole of the assets / undertaking of the Company to any other company or entity;

(vi) Bankruptcy proceedings against the Company;

(vii) Adoption by the shareholders of the Company of a scheme of liquidation, dissolution or winding up;

(viii) Adoption by the shareholders of the Company of a scheme of merger or demerger of the Company;

(ix) Sale of Shares of the Company resulting in a change of Control; and

(x) Any other corporate action as designated by the Company, including any event resulting in a change of Control.

5.10 **Director** means a director on the Board, duly appointed in terms of the Companies Act;

5.11 **Employee(s)** means:

(i) An employee as designated by the Company, who is exclusively working in India or out of India; or

(ii) a director of the Company, whether or not a whole-time director, including a non-executive Director who is not a Promoter or a member of the Promoter Group, but excluding an Independent Director ; or

(iii) an employee as defined in sub-clauses (i) or (ii) above of a group company including subsidiary or associate of the Company, in India or out of India, or of the Holding Company, of the Company.

but shall 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 any body corporate, directly or indirectly, holds more than 10% of the outstanding equity shares of the Company;

5.12 **Employer Company** in relation to an Employee means the Company and /or its Holding Company, or its Subsidiary as the case may be, which employs such Employee;

5.13 **Exercise** means making of an application by the Option Grantee to the Company for issue of Shares against the Vested Options in the Option Grantee in pursuance to this Plan on payment of the Exercise Price and full payment of Tax Amount if any required to be deducted by the Company, in accordance with the procedure laid down in this Plan and the SEBI (SBEB & SE) Regulations**.**

5.14 **Exercise Date** means in relation to an Option, the date on which the Employee elects to Exercise his right to apply for Shares against the Vested Options and in case of partial Exercise, shall mean each date on which the Employee exercises his right to apply for part of his Vested Options;

5.15 **Exercise Period** means in relation to an Option, the period commencing from the date of Vesting of the Option within which an Employee should exercise his right to apply for shares against the Vested Option in pursuance of the Plan.

5.16 **Exercise Price** or **Grant Price** means the price, if any, payable by the Employee for exercising the Option granted to him in pursuance of the Plan and mentioned in the Grant Letter.

5.17 **Fair Value of the Share** means:

(i) Till such time as the Shares of the Company are not listed on a Recognised Stock Exchange, the fair value of the shares as determined by a valuer appointed by the Board and / or Nomination and Remuneration Committee, as per Applicable Laws and based on such criteria as may be considered appropriate by the Board and / or Nomination and Remuneration Committee, as the case may be having regard to the then current valuation trends and benchmarks as applicable to the Company; or

(ii) After the Shares of the Company are listed on a Recognized Stock Exchange, the “market price” as defined in the SEBI (SBEB & SE) Regulations;

5.18 **Grant** means the process by which the Company issues Options to its Employee pursuant to the Plan;

5.19 **Grant Date** means the date on which the Nomination and Remuneration Committee approves the Grant ;

5.20 **Grant Letter** means the written Letter executed between the Company and an Employee evidencing the terms and conditions of Grant of Options to such Employee and shall be in the format as may be determined by the Nomination and Remuneration Committee;

5.21 **Grantee** or Option Grantee means an Employee who has been Granted Options pursuant to the Plan and in case of death or permanent disability of such Employee includes the designated legal heir(s)/nominee(s) of such Employee;

5.22 **Holding Company** means a holding company as defined under Section 2(46) of the Companies Act;

5.23 **Independent Director** shall have the same meaning assigned to it under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015means independent director as defined in the Companies Act, 2013;

5.24 **Initial Public Offer or IPO** shall have the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended;

5.25 **Nomination and Remuneration Committee** means the committee of the Board of Directors entrusted with the implementation, administration and superintendence of the Plan as specified in this instrument;

5.26 **Option** means a right but not an obligation granted to an Employee of the Plan to purchase or subscribe for and be allotted one Share of the Company and/or such number of Resultant Shares as may be determined under the Plan;

5.27 **Plan** means the employee stock option plan known as **HAPPY FORGINGS ESOP SCHEME 2023**;

5.28 **Promoter** means a person:

i. who has been named as such in a prospectus or is identified by the Company in the annual return.
ii. who has control over the affairs of the Company, directly or indirectly whether as a shareholder of the Company, Director or otherwise; or
iii. in accordance with whose advice, directions or instructions the Board is accustomed to act

Provided that nothing is Sub-clause (iii) shall apply to a person who is acting merely in a professional capacity.

Provided further that upon Listing, the term “Promoter” defined hereinabove shall have meaning as defined under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended.

5.29 **Promoter Group** shall have the meaning as assigned to the term under the SEBI ICDR Regulations;

5.30 **Recognised Stock Exchange** means a stock exchange which is for the time being recognized by the Central Government / SEBI under Section 4 of the Securities Contracts (Regulation) Act, 1956;

5.31 **Resultant Shares** means the Shares or other Securities issued on the occurrence of a Change in Capital Structure or a Corporate Action;

5.32 **SEBI** means the Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992;

5.33 **SEBI ICDR Regulations** means the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

5.34 **SEBI (SBEB & SE) Regulations** means the Securities and Exchange Board of India (Share Based Employee Benefits & Sweat Equity) Regulations 2021, as amended and enacted from time to time read with all circulars and notifications issued thereunder.

5.35 **Securities** mean securities as defined in clause (h) of Section 2 of the Securities Contracts (Regulation) Act, 1956;

5.36 **Shares** means the equity shares of the Company, having a face value of ₹2 each;

5.37 **Subsidiary Company** means a subsidiary company as defined under section 2(87) of the Companies Act;

5.38 **Termination of Employment** shall have the meaning as referred to in Article 14;

5.39 **Vesting** means process by which the Option Grantee becomes entitled to receive the benefit of Grant made to him / her under the Plan.

5.40 **Vesting Date** in relation to an Option Granted means the earliest date on which the Option can be Exercised by the Employee, subject to fulfillment of the conditions, if any, for the Exercise of the Option as may be determined by the Nomination and Remuneration Committee.

II) Interpretation:

In this instrument unless the contrary intention appears:

a. the singular includes the plural and vice versa;
b. the word “person” includes a firm, a body corporate, or unincorporated body or an authority; and
c. any word or expression importing the masculine, feminine or neutral genders only shall be taken to include all three genders.
d. all terms used and not defined in this Plan shall, unless stated otherwise, have the same meaning as defined in the SEBI (SBEB & SE) Regulations.

III) Clause Headings:

Article / Clause headings are for information only and shall not affect the construction of this instrument.

IV) References:

a. A reference to an Article, Clause or Schedule is respectively a reference to an Article, Clause or Schedule respectively of this instrument. The Schedules to this instrument shall for all purposes form part of this instrument.

b. Reference to any Act, Rules, Statute or Notification shall include any statutory modification, substitution or re-enactment thereof.

ARTICLE 6
EFFECTIVE DATE, PLAN DURATION AND ESOP POOL

6.1 The Plan is approved by a special resolution passed by the shareholders of the Company in the Extra Ordinary General Meeting held on 31st July 2023 and shall be deemed to have come into force on the 31st July 2023

6.2 The terms and condition of this Plan shall remain in effect until Shares arising out of Exercise of Options are held by the Employee.

6.3 The aggregate number of Options to be granted under the Plan from time to time shall not exceed 13,42,485 options. If any Options granted under the Plan are terminated, forfeited or lapsed under the provisions of the Plan, such Options shall be available for future Grant under the Plan.

Provided that the Options as mentioned above, shall be subject to pro rata adjustment for Corporate Action and Change in Capital Structure, if any.

ARTICLE 7
NOMINATION AND REMUNERATION COMMITTEE

7.1 The Plan shall be administered and managed by the Nomination and Remuneration Committee of the Company as specified hereinafter with the Applicable Law.

7.2 The Nomination and Remuneration Committee shall be a committee of such members of the board of directors of the company as provided under Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

7.3 Subject to Applicable Law, the powers of the Nomination and Remuneration Committee shall, inter alia, include the power to:

(i) determine the Employees eligible for participation in the Plan;

(ii) determine the number of Options to be Granted, to each Employee and in the aggregate and the times at which each such Grant shall be made;

(iii) determine the performance parameters for Grant of Options under the Plan;

(iv) determine the performance evaluation criteria from time to time based on which the performance of the Employee will be evaluated for the Grant and / or for the Eligibility for Vesting;

(v) determine the timing of the Vesting of the Granted Options, and any conditions, based on performance or otherwise, subject to which such Vesting shall take place;

(vi) determine the Exercise Period within which the Employee is required to Exercise the Option, beyond which period the Option shall lapse;

(vii) determine the Exercise Price or the formula for determining the Exercise Price;

(viii) accelerate, modify, vary, relax or waive the time period and / or modify the performance conditions for the Vesting, as the case may be;

(ix) specify the time period within which the Employee shall Exercise the Vested Options in the event of termination or resignation of the Employee (other than for misconduct);

(x) lay down the conditions under which Options Granted or Vested in Employees may lapse in case of termination of employment for misconduct;

(xi) lay down the procedure for making a fair and reasonable adjustment to the number of Options Granted and/or to the Exercise Price in case of a Change in Capital Structure and/or a Corporate Action;

(xii) provide for the right of an Employee to Exercise all the Options Vested in him at one time or at various points of time within the Exercise Period;

(xiii) lay down the method for satisfaction of any tax obligation arising on the Exercise of the Options or otherwise;

(xiv) lay down the procedure for cashless Exercise of Options, if at all so intended by the Nomination and Remuneration Committee;

(xv) provide for the Grant, Vesting and Exercise of Options in case of Employees who are on long leave or whose services have been seconded/deputed at the instance of the Employer Company to its Subsidiary or Holding Company;

(xvi) frame suitable rules, policies and systems to ensure that there is no violation, as and when applicable, of:

a) SEBI (Prohibition of Insider Trading) Regulations, 2015, and

b) SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003;

(xvii) exercise such powers as may be necessary or expedient in connection with the effective and efficient implementation and/or administration of the Plan.

7.4 The members of the Nomination and Remuneration Committee shall abstain from participating in discussions, and voting, on matters which directly affect their individual ownership under the Plan.

7.5 No member of the Nomination and Remuneration Committee shall be liable for any decision or action made in good faith with respect to the Plan.

7.6 The number of members of the Nomination and Remuneration Committee and their powers and functions for implementing the Plan may be specified, varied, altered or modified from time to time by the Board of Directors subject to Applicable Law. The Board may further provide that the Nomination and Remuneration Committee shall exercise certain powers only after consultation with the Board and in such case the said powers shall be exercised by the Nomination and Remuneration Committee accordingly.

ARTICLE 8
APPRAISAL OF AN EMPLOYEE

8.1 From time to time and at such times as deemed fit by the Nomination and Remuneration Committee after this Plan comes into effect, the Nomination and Remuneration Committee shall, based on the various criteria for selection of the Employees (which criteria shall be decided from time to time by the Board or the Nomination and Remuneration Committee for assessing the contribution of

Employees), decide on the Employees who are eligible for a Grant under the Plan and the terms and conditions thereof.

Provided that the Board or Nomination and Remuneration Committee may in its absolute discretion be entitled to vary or modify such criteria and/or selection and/or the terms and conditions of the Grant for any Employee or class of Employees.

ARTICLE 9
GRANT

9.1 The Nomination and Remuneration Committee may, from time to time, make Grants to one or more Employee determined by the Nomination and Remuneration Committee to be eligible for participation in the Plan.

Provided further that upon the SEBI (SBEB & SE) Regulations becoming applicable to the Company, no Grant shall be made unless the disclosures as required by Regulation 14 of SEBI (SBEB & SE) Regulations are made by the Company to the Grantees.

9.2 The aggregate number of Options that may be Granted under the Plan shall not exceed 13,42,485 options subject to pro-rata adjustment for Corporate Action and Change in Capital Structure, if any.

9.3 Number of Options to be granted to the Employee shall be determined by the Nomination and Remuneration Committee at its complete discretion and may vary from an Employee to Employee or class of Employees or employing entity to entity or for business/ divisions to business/divisions.

9.4 The Grant shall be in writing, and the Grant Letter shall specify the number of Options Granted, the Exercise Price, the earliest date on which some or all the Options under the Grant shall Vest, the performance parameters and other conditions, if any, subject to which Vesting shall take place, and the other terms and conditions thereto.

9.5 An Option shall not be transferable and can be Exercised only by the Employee, except as otherwise stated in the Plan and/or as may be permitted under Applicable

Law. An Option shall not be assigned, pledged, hypothecated, mortgaged or otherwise encumbered or alienated in any manner whatsoever by the Grantee.

ARTICLE 10
GRANT PRICE / EXERCISE PRICE

10.1 The Grant Price shall be determined by the Nomination and Remuneration Committee from time to time. However, unless otherwise permitted by applicable law, such Grant Price shall not be less than the face value of the Shares.

10.2 The Nomination and Remuneration Committee or the Board, as the case may be, shall have power to modify or vary or re-price the Grant Price and/or the formula for determining the Grant Price in respect of one or more Employees or a class of Employees at its/ their absolute discretion. Provided any modification, variation or re-pricing in respect of the Options Granted shall not be detrimental to the interests of the Employees and the approval of the shareholders of the Company in this regard has been obtained.

10.3 The Grant Price shall be specified in the Grant Letter and shall, unless varied or modified pursuant to Article 10.2 above, be fixed for the entire term of the Option.

ARTICLE 11
VESTING OF OPTIONS

11.1. The Options Granted to Employee shall vest as may be determined by the Nomination and Remuneration Committee as specified in the Grant letter .

Provided that unless otherwise prescribed under applicable laws, the first vesting shall not occur earlier than end of 1 (one) year from the Grant Date.

11.2. The Vesting of the Options shall take place in such manner as may be specified in this regard in the Grant Letter and it may include conditions as to the completion of a minimum period of employment with the Company and/ or fulfillment of performance conditions as may be specified in this regard and it may vary from an Employee to

Employee or class of Employees or employing entity to entity or for business/ divisions to business divisions.

Provided further that, for the purpose of efficient implementation and administration of the Plan, the Nomination and Remuneration Committee may bunch up the dates of Vesting of the Options Granted to the Employee with the dates of Vesting of other options granted under the Plan at such convenient intervals.

11.3. On Vesting, the Grantee shall be entitled to Exercise, within the Exercise Period, at the discretion of the Grantee, all or any of the Vested Options, subject to the rules as may be framed by the Nomination and Remuneration Committee and subject to the provisions of Article 14 below.

11.4. The Nomination and Remuneration Committee may, in its absolute discretion, permit the Options Granted to Vest and to be Exercised within such time and as per such terms and conditions as it may determine, provided there shall be a minimum period of one year between the Grant of Options and Vesting of such Options.

11.5. It is expressly clarified that unless otherwise determined by the Nomination and Remuneration Committee or unless otherwise specified in this Plan (including Article 14) or unless otherwise mentioned in Applicable Law, the Options which have not Vested will not be eligible for Exercise.

ARTICLE 12
EXERCISE OF OPTIONS

12.1 The Grantee may at any time during the Exercise Period, but subject to fulfillment of all the conditions of the Grant and such administrative procedures as may be determined by the Nomination and Remuneration Committee, exercise at the discretion of the Grantee all or any of the Vested Options by submitting an application to the Nomination and Remuneration Committee to allot to the Grantee the Shares pursuant to the Vested Options, accompanied by payment of the Exercise Price in respect of such Shares and such other writing, if any, as the Board / Nomination and Remuneration Committee, may specify.

12.2 The Employee will be required to pay to the Company an amount sufficient to satisfy all Applicable Taxes. Unless and until the Employee completes the above conditions of the Exercise, the Company may not allot / transfer / issue the Shares to the Employee.

12.3 Unless otherwise determined by the Nomination and Remuneration Committee, the Exercise Period shall be a period of 5 (five) years from the Vesting Date of the Option.

12.4 On receipt of a valid application for Exercise of Vested Options, together with the payment of the Exercise Price there for, and compliance of such other requirements in this regard which may include the payment by the Employee of Applicable Taxes, if any, payable in connection with the Options Exercised, the Nomination and Remuneration Committee shall forward the application to the Board for allotment and / or transfer of the Shares to the Employee.

12.5 Except as otherwise provided, payment of the Exercise Price for the Shares to be acquired pursuant to any Vested Options shall be made in any manner as may be permitted by the Nomination and Remuneration Committee from time to time to the extent permitted by Applicable Law, including through a cashless exercise.

12.6 The Nomination and Remuneration Committee shall have power to:

(i) specify the days on which or the period during which the Vested Options can be Exercised; and

(ii) frame suitable administrative procedures including for a cashless Exercise of Options.

12.7 Notwithstanding anything contained elsewhere in the Plan, the Nomination and Remuneration Committee:

(i) shall, in the event of Exercise of Options resulting in issue of fractional Share/s, have absolute power to round up or down the Shares to the nearest whole number, and the Exercise Price shall be adjusted for the same.

(ii) may, if the Exercise of Options within the Exercise Period is prevented pursuant to any Applicable Law, defer the Exercise of Options until such time after it is so prevented, and/or refuse to permit the Exercise of Options by the Employee and in such an event the Company shall not be liable to pay any compensation or similar payment to the Employee for any loss suffered due to such refusal.

(iii) the Board/Nomination and Remuneration Committee shall have the power to cancel all or any of the Options granted under the Plan if so required under any Applicable Law for the time being in force including any order of jurisdictional court. In the event of any such cancellation, no compensation shall be payable for such cancelled Options.

12.8 No Option can be Exercised by the Grantee after the expiry of the Exercise Period unless otherwise specifically permitted by the Nomination and Remuneration Committee in this regard. Save as mentioned hereinabove, all Options not Exercised before the expiry of the Exercise Period shall lapse ipso facto.

ARTICLE 13
LOANS TO EMPLOYEE

13.1 Subject to the provisions of Applicable Law, including the Companies Act, the Company may at its sole discretion provide financial assistance to the Employee of such amounts and on such terms as may be deemed fit, to enable them to Exercise the Options.

13.2 For this purpose, the Company may require the Employee to sign such document, for pledging / encumbering the Shares issued to the Employee on Exercise of the Options and do such other things as may be required in this regard, as the Company may deem fit.

13.3 The Employee shall pledge the Shares with the Company and Company shall have a lien thereon, till such time as the loan/financial assistance given to the Employee, together with any interest and other charges payable thereon, if any, are fully repaid or otherwise discharged by the Employee.

13.4 In the event of any loan or any installment remaining unpaid for a period of 3 (three) months of the date on which such loan / installment falls due for payment or the Employee failing to repay / discharge the loan, then the Company will have power to deal with the Shares or otherwise dispose them off as it may deem fit. The excess amount after adjusting the amount payable by the Employee shall be paid to the Employee as soon as may be practicable.

ARTICLE 14
TERMINATION OF EMPLOYMENT

14.1 Permanent Disability or Death

(i) If an Employee should become totally and permanently disabled or die while an Employee, all Unvested Options granted under this Plan shall vest immediately and such Vested Options including the Options vested as aforesaid may, be Exercised by the designated legal heir, nominee or Employee, as the case may be, within a period of 12 months from the date of death/permanent disability;

The Options may be Exercised by the Employee or in his absence by the designated legal heirs/ nominees of the Employee, or, if there is no designated legal heir/ nominee, by the executor or administrator or legal heirs of the Employee's estate.

(ii) All Vested Options on the date of permanent disability or death may, be Exercised by the designated legal heir, nominee or Employee, as the case may be, within a period of 12 months from the date of death/permanent disability;

The Options may be Exercised by the Employee or in his absence by the designated legal heirs/ nominees of the Employee, or, if there is no designated legal heir/ nominee, by the executor or administrator or legal heirs of the Employee's estate.

(iii) In case Options are already Exercised by an Employee who has become totally or permanently disabled or died, the Company to buy whole or part of the Shares arising out of Exercise of the Vested Options.

14.2 Termination for Misconduct:

If an Employee’s employment with the Employer Company terminates for misconduct, all Options Not Exercised whether Vested or Unvested shall be forfeited.

In case Options are already Exercised by an Employee whose employment is to be terminated for misconduct, the Company to buy whole or part of the Shares arising out of Exercise of the Vested Options at the Exercise Price net of Applicable Taxes, if any, paid by the Company in connection with the Options Exercised.

'Misconduct" shall include, as determined by the Nomination and Remuneration Committee,

(i) the continued and gross failure of the Employee to substantially perform his duties to the Employer Company (other than any such failure resulting from retirement, death or permanent disability or voluntary retirement);

(ii) the engaging by the Employee in willful, reckless or grossly negligent conduct which is determined by the Nomination and Remuneration Committee to be detrimental to the interests of the Company or any of its Subsidiaries or its Holding Company, monetarily or otherwise;

(iii) the Employee's pleading guilty to or conviction for a felony/crime;

(iv) fraud, misfeasance, breach of trust committed by an Employee, or breach of confidentiality agreement by the employee or disclosure by the Employee to any third party, of any confidential information relating to the Company or any of its Subsidiaries or its Holding Company

(v) employment of the Employee in any other organization or provision of services by the Employee for any other organization whilst in the employment of the Employer Company without the previous written consent of the Employer Company;

(vi) the Employee being declared bankrupt; or

(vii) the Employee violating Non-Compete clause specified in Article 14.4.

14.3 Resignation, Retirement and Company Termination

(i) If an Employee should, with the written consent of the Company, resign from the employment of the Employer Company, or if the employment of the Employee is terminated by the Employer Company other than for misconduct (as specified in Article 14.2 above) the Unvested Options, shall lapse.

Provided that, subject to the aforesaid, the Nomination and Remuneration Committee shall have full powers to accelerate the Vesting of the Unvested Options and/or specify the period for Exercise of such Vested Options.

(ii) In case of retirement or voluntary retirement under any scheme of Voluntary Retirement approved by the Board, the unvested options shall continue to vest as per the vesting schedule.

(iii) The Vested Options may, be Exercised by the Employee within a period of 90 days from the date of cessation/last working day.

(iv) Nothing contained in this clause shall be applicable in the event of secondment or deputation of the Employee.

(v) The Board / Nomination and Remuneration Committee shall have full power and authority to relax any of the conditions and provisions of this clause in case of an Employee who resigns from the service of the Employer Company to join its Holding Company or its Subsidiary Company.

14.4 Non-Compete Clause

The Employee acknowledges that he shall perform services of a unique nature for the Employer Company that are irreplaceable, and that his performance of such services to a competing business will result in irreparable harm to the Employer Company. Accordingly, during the term of his employment or for a period of one year from the date of his termination of employment whether by way of resignation, retirement or abandonment of job or by any other mode, an Employee shall not, either personally or through any agent, company or otherwise in any other manner, directly or indirectly

(i) carry on or participate in or be interested or concerned in, establish, develop, promote, start, engage in, conduct or do any activities or business that directly or indirectly competes with the business of the Company or any of its subsidiaries or affiliates on the date of termination in any part of the world; or

(ii) establish, develop, carry on, assist or undertake any business or trade under a name that is identical with or closely resembles or similar to any of the trademarks, service marks, any name or trading style used by the Company; or

(iii) approach, canvass, solicit, poach or act in any manner which results or is likely to result in approaching, canvassing, soliciting, poaching or otherwise act with a view to engage in or entice away or seek any customer(s) or potential customer(s) of the Company, or use its knowledge or influence over any such customer(s) or potential customer(s) for his benefit or for the benefit of any other Person carrying on or proposing to carry on business that is or is likely to be in competition with the business or otherwise use its knowledge of or influence of persons' known to it, over any such customer(s) or potential customer(s) to the detriment of the Company or its business; or

(iv) seek to contract with or engage (in such a way that may adversely affect the Company, as the case may be) any Person who has been or had in the past, contracted with the Company or engaged or employed by the Company, as the case may be; or

(v) approach, canvass, solicit, poach or act in any manner which results or is likely to result in approaching, canvassing, soliciting, poaching or otherwise endeavor to entice away any of the employees, representatives, consultants, agents and or directors engaged in the business and whether or not such person would have committed a breach of contract of employment or engagement by leaving his employment or engagement.

The Employee acknowledges and agrees that adequate consideration has been provided by the Company for the non-compete and non-solicitation covenants contained in this Article and that restrictions contained herein are reasonable for the legitimate protection and the business and goodwill of the Company.

The Employee further expressly agrees and acknowledges that the restrictions set forth in this Clause are reasonable in nature and are of vital importance to the Company.

The Employee further agrees and acknowledges that the covenants and obligations set forth in this Clause shall not be construed to be a restraint of trade against him and shall relate to special, unique and extraordinary matters and that a violation of any of the terms of such covenants and obligations will cause the Company and its shareholders irretrievable and irreparable injury, harm, loss or prejudice.

Each of such covenants contained in this Clause shall be construed as a separate covenant and if, in any proceeding, a court, tribunal or authority shall refuse to enforce any of the separate covenants of this Clause, then such covenant shall be deemed included herein only to the extent enforceable as permitted under applicable Law for the purpose of such proceeding or any other judicial proceeding to the extent necessary to permit the remaining covenants to be enforced. The restrictions set forth in this Clause, shall be in addition to any restrictions imposed under the applicable law of any jurisdiction

In case the employee violates the aforesaid terms, all Options not Exercised, whether Vested or Unvested, shall terminate and lapse forthwith without any recourse by the Employee on the Company.

In addition, the Employee shall be liable to surrender to the Company all benefits accrued to him in respect of share allotted to him pursuant to this Plan, whether before or after the cessation of employment.

Provided further that the Company shall have lien on such shares and the benefits so received by the Employee till such time they are transferred back to the Company and / or their respective nominees in accordance with the above provisions. This will be without prejudice to the other remedies that the Company may pursue as it may deem fit or necessary, whether or not specified in the Plan.

14.5 It is clarified that, in the event that an Employee who has been granted benefits under the Plan is transferred or deputed to an Associate Company prior to Vesting or Exercise, the Vesting and Exercise as per the terms of Grant shall continue in case of such transferred or deputed Employee even after the transfer or deputation.

ARTICLE 15
RIGHTS OF A MEMBER IN SHARES

15.1 Neither Employee, nor his legal heirs, shall have any of the rights of a shareholder of the Company with respect to the Shares for which the Option is Granted until the Company issues such Shares.

ARTICLE 16
TERMS AND CONDITIONS OF SHARES

16.1 All Shares acquired under the Plan will rank pari passu with all other Shares of the Company for the time being in issue, save as:

(i) any right attached to any such other Shares by reference to a record date prior to the date of allotment of Shares acquired under the Plan

16.2 The Shares acquired under the Plan shall not be subject to any lock-in period.

ARTICLE 17
CHANGE IN CAPITAL STRUCTURE OR CORPORATE ACTION

17.1 Except as hereinafter provided, a Grant made shall be subject to adjustment by the Nomination and Remuneration Committee, at its discretion, as to the number of Options Granted and/or the Exercise Price, as the case may be, in the event of a Change in Capital Structure or a Corporate Action.

17.2 The existence of the Plan and the Grants made hereunder shall not in any way affect the right or the power of the Board of Directors or the shareholders or the Company to make or authorize any Change in Capital Structure or any Corporate Action, including any issue of shares, debt or other securities having any priority or preference with respect to the Shares or the rights thereof.

17.3 If there is a Change in Capital Structure before the Options Granted under this Plan are Exercised, the Employee shall, if so determined by the Nomination and Remuneration Committee, be entitled on the Exercise of such Options to be allotted such number of Shares and/or Resultant Shares and at such price as if such Options had been Exercised by the Employee before such Change in Capital Structure had taken place, and the rights under the Grant (including the Exercise Price and the number of Shares and/or Resultant Shares) shall stand correspondingly adjusted subject to the Exercise Price not being less than the face value of the Shares.

17.4 In the event of a Corporate Action the Nomination and Remuneration Committee, at least seven days prior thereto or thirty days thereafter, acting in its absolute discretion, with or without the consent or approval of the Employee, as it may deem fit, may make an adjustment to the number of Options and/or the Exercise Price to reflect the

Corporate Action. For this purpose, the Nomination and Remuneration Committee may for an Employee or a class of Employees adopt one or more alternatives as permissible by Applicable Law which may include any one or more of the following alternatives:

(i) Provide that on any Exercise of Options thereafter, the Employee shall be entitled to the Shares and/or Resultant Shares as if the Employee had exercised the Options prior to the date of the Corporate Action.

(ii) Make such adjustments to the number of Options outstanding as may be necessary to reflect the Corporate Action.

(iii) Require the mandatory surrender by all or some of the Employee/s to the Company of all or some of the outstanding Options, irrespective of whether or not the Options have Vested as on that date, and in such an event the Nomination and Remuneration Committee shall pay to such Employee an amount, in cash or otherwise, per Option, as the case may be, of the Change in Control Value after deducting the balance Exercise Price payable, if any.

(iv) Accelerate the Vesting and/or the Exercise Period so that the Options can be exercised before the date specified by the Nomination and Remuneration Committee provided that such acceleration is in consonance with the SEBI (SBEB & SE) Regulations.

(v) Cancel the Options Granted without any objection, hindrance or claim by the Employee if the Fair Value of the Shares, as determined by the Board, is below the Exercise Price.

(vi) Substitute the Options with Options issued or to be issued by the new / resulting Company pursuant to the Corporate Action on terms which are not materially prejudicial to the terms on which the Options were hitherto granted.

(vii) Continue with the Plan with or without any modifications

17.5 In the event of a sale or de-merger of a division or the sale or divestment of a Subsidiary whereupon the Company ceases to hold directly or indirectly through one or more of Subsidiaries, more than 50% of the voting power in the acquirer company or the Subsidiary or the resultant company, as the case may be, the Nomination and Remuneration Committee may act in its absolute discretion without the consent or approval of the Employee specify that:

(i) In respect of Employees of the case division / Subsidiary sold or de-merged, Employee shall be entitled on Exercise of Options to such number of Shares of only the Acquirer company/ the Subsidiary / resulting company after making a fair and reasonable adjustment to the number of Options and the Exercise Price to reflect the Corporate Action.

(ii) In respect of one or more of the Employees, not being Employees of the division / Subsidiary sold or de-merged, that they may be entitled on Exercise of Options to such number of Shares of the Company only (excluding any right to acquire the Shares of the acquirer company/ the Subsidiary / resultant company) after making a fair and reasonable adjustment to the number of Options and the Exercise Price to reflect the Corporate Action.

ARTICLE 18
AMENDMENT OR TERMINATION OF THE PLAN

18.1 The Board of Directors, subject to such approvals/consents as are required under applicable law/ regulations, in its absolute discretion may from time to time amend, alter or terminate the Plan or any Grant or the terms and conditions thereof, provided that no amendment, alteration or termination in any Grant previously made may be carried out, to the extent possible, which would impair or prejudice the rights of the Employee without the consent of the concerned Employee.

18.2 The Company may by special resolution of its shareholders vary the terms of the schemes offered pursuant to an earlier resolution of the general body but not yet exercised by the employees, if such variation is not prejudicial to the interests of the employees. However, the Company shall be entitled to vary the terms of the schemes to meet any regulatory requirement subject to shareholders' approval by special resolution. Such variation shall be carried out in accordance with Regulation 6 and Regulation 7 of SEBI (SBEB & SE) Regulations.

18.3 The notice for passing a special resolution for variation of terms of the schemes shall disclose full details of the variation, the rationale therefor, and the details of the employees who are beneficiaries of such variation. The explanatory statement to the notice and the resolution proposed to be passed by shareholders for the schemes shall contain the information as specified in Part C of Schedule – I of SEBI (SBEB & SE) Regulations or as otherwise specified by the Board

18.4 Provided a separate resolution in general meeting shall be passed by the shareholders in case of:

(i) Grant of options to the employees of subsidiary or holding company

(ii) Grant of option to Employees, during any one year, equal to or exceeding one per cent of the issued capital (excluding any outstanding warrants and conversions) of the Company at the time of grant of such Options.

18.5 The Company may reprice the options as the case may be, which are not exercised, whether or not they have been vested, if the schemes were rendered unattractive due to fall in the price of the shares in the stock market:

Provided that the Company ensures that such repricing is not detrimental to the interests of the employees and approval of the shareholders by a special resolution has been obtained for such repricing.

18.6 Without prejudice to the above, the Board of Directors, without any reference to or consent of the Employee concerned, amend the Plan or Grant or any agreement to comply with any Applicable Laws, regulations or guidelines, which is or may hereinafter, become applicable to this Plan.

ARTICLE 19
OTHERS

19.1 No Right to a Grant:

Neither the adoption of the Plan nor any action of the Board of Directors and/or the Nomination and Remuneration Committee shall be deemed to give an Employee a right to be Grant any Option or any other rights hereunder, except as may be evidenced by a Grant Letter duly executed on behalf of the Company and the Employee and then only to the extent of and on the terms and conditions expressly set forth therein.

19.2 The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of funds or assets to assure the payment of any Grant.

19.3 No Employment Rights Conferred:

Nothing contained in the Plan or in any Grant made hereunder shall:

(i) confer upon any Employee any right with respect to continuation of employment or engagement with the Employer Company, and/or

(ii) interfere in any way with the right of the Employer Company to terminate employment or services of an Employee at any time.

19.4 Taxes:

Prior to the delivery of any Share and/or making of other payment pursuant to an Option (on Exercise thereof and/or otherwise), the Company shall have the right to withhold, deduct and/or recover from the Grantee, or require the Grantee to remit to the Company, an amount sufficient to satisfy all Applicable Taxes and to require any payments necessary to enable it to satisfy such obligations.

The Grantee shall authorize the Company to take such steps as the Company may consider necessary to discharge the obligation of the Grantee in the respect of the above, including but not limited to selling the Shares (or such number thereof as may be necessary) arising on the Exercise of the Options and appropriating the proceeds thereof towards the discharge of such obligation.

The Nomination and Remuneration Committee, in its sole discretion and pursuant to such procedures as it may specify from time to time, will determine the manner in which a Grantee will be required to satisfy such tax obligation arising pursuant to Option(s) Granted under this Plan.

19.5 No Restriction of Corporate Action:

Nothing contained in the Plan shall be construed to prevent the Company and / or Employer Company from taking any Corporate Action which is deemed by the Company and / or Employer Company to be appropriate or in its best interest, whether or not such Corporate Action would have an adverse effect on the Plan or any Grant made under the Plan, subject to the Company and / or Employer Company making a fair and reasonable adjustment for Employee in terms of Article 17.4 above in the event of such Corporate Action. No Employee or other persons shall have any claim against the Company and / or Employer Company as a result of such Corporate Action.

19.6 Confidentiality:

The Employee shall ensure complete confidentiality in respect of all documents, matters and discussions in relation to the Plan, Grant, Grant Letter and all connected matters. Any violation may result in cancellation of the Grant, lapse of all Options (whether Granted and/or Vested or not) or compulsory retransfer of Shares acquired on Exercise of the Options to a Company and / or nominee as the Nomination and Remuneration Committee may deem fit, without prejudice to any other action/s which may be taken in this regard by the Company.

19.7 Insider Trading etc.:

The Employee shall ensure that there is no violation of:

(i) SEBI (Prohibition of Insider Trading) Regulations, 2015; and

(ii) SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003; and/or

(iii) Any other law/s to prevent fraudulent or harmful practices relating to the Securities market.

The Employee shall keep the Company, the Board and the Nomination and Remuneration Committee fully indemnified in respect of any liability arising for violation of the above provisions.

19.8 New Plans:

Nothing contained in the Plan shall be construed to prevent the Company from implementing any other or future employee ownership plan whether or not such other action would have any adverse impact on the Plan or any Grant made under the Plan. No Employee or other person shall have any claim against the Company as a result of such action.

19.9 Issues:

In respect of any issues arising in respect of the Plan, the decision of the Nomination and Remuneration Committee or the Board of Directors shall be final and binding on all concerned.

19.10 Restriction on Transfer of Option:

Options shall not be transferable. During the lifetime of the Employee the Options shall be exercisable only by such Employee, and in case of death or permanent incapacity of an Employee shall be exercisable by the Employee's designated legal heirs or nominees, as the case may be.

19.11 Restriction on Transfer of Shares:

Shares acquired by exercising the Options can be transferred by an Employee only after written permission from Nomination and Remuneration Committee or the Board of Directors. Any transfer without such approval shall be void ab-initio.

19.12 Listing

In case a new issue of shares is made under any scheme, shares so issued shall be listed immediately on all recognized stock exchange(s) where the existing shares are listed, subject to the following conditions:

(a) The scheme is in compliance with these SEBI (SBEB & SE) Regulations;

(b) A statement, as specified in Part D of Schedule – I of SEBI (SBEB & SE) Regulations, is filed and the company obtains an in-principle approval from the recognised stock exchange(s);

(c) As and when an exercise is made, the company notifies the concerned recognised stock exchange(s) as per the statement as specified in Part E of Schedule – I of SEBI (SBEB & SE) Regulations.

19.13 Accounting and Disclosures:

The Company shall follow the laws/ regulations applicable to accounting and disclosure related to the Employee Stock Options and IND AS 102 on share based payments and/or any relevant accounting standards as may prescribed by the Central Government in terms of section 133 of the Companies Act, 2013 and/ or any relevant Accounting Standards as may prescribed by the Institute of Chartered Accountants of India (“ICAI”) from time to time, including any 'Guidance Note on Accounting for employee share-based payments' issued in that regard from time to time, including the disclosure requirements prescribed therein, in compliance with relevant provisions of Regulation 15 of SEBI (SBEB SE) Regulations.

19.14 Compliances and conditions.

(i) The company shall not make any fresh grant which involves allotment or transfer of shares to its employees under any scheme formulated prior to its IPO and prior to the listing of its equity shares ('pre-IPO scheme') unless:

a. Such pre-IPO scheme is in conformity with SEBI (SBEB & SE) Regulations; and

b. Such pre-IPO scheme is ratified by its shareholders subsequent to the IPO:

Provided that the ratification under clause (ii) may be done any time prior to grant of new options under such pre-IPO scheme.

(ii) No change shall be made in the terms of options issued under such pre-IPO schemes, whether by repricing, change in vesting period or maturity or otherwise unless prior approval of the shareholders, by way of special resolutions, is taken for such a change, except for any adjustments for corporate actions made in accordance with SEBI (SBEB & SE) Regulations.

(iii) For listing of shares issued pursuant to this Scheme, the Company shall obtain the in-principle approval of the recognized stock exchanges where it proposes to list the said shares prior to the grant of options.

(iv) When the holding company issues options to the employees of its subsidiary, the cost incurred by the holding company for issuing such option, shall be disclosed in the 'notes to accounts' of the financial statements of the subsidiary company.

(v) In a case falling under sub-clause (iv) above, if the subsidiary reimburses the cost incurred by the holding company in granting option to the employees of the subsidiary, both the subsidiary as well as the holding company shall disclose the payment or receipt, as the case may be, in the ‘notes to accounts’ to their financial statements.

(vi) The Company shall appoint a merchant banker for the implementation of schemes covered by SEBI (SBEB & SE) Regulations till the stage of obtaining in-principle approval from the recognized stock exchanges in accordance with clause (b) of regulation 10 of SEBI (SBEB & SE) Regulations.

19.15 Certificate from Auditors:

The Board of Directors shall at each annual general meeting place before the shareholders a certificate from the secretarial auditors of the Company that the Plan has been implemented in accordance with SEBI (SBEB & SE) Regulations and in accordance with the resolution of the Company in the general meeting.

19.16 Governing Laws:

(i) The Plan shall be construed in accordance with the laws of India. The Securities issued hereunder shall be governed by and in accordance with the Companies Act, SEBI (SBEB & SE) Regulations, SEBI ICDR Regulations, and all other relevant rules, regulations and guidelines issued by SEBI or any other statutory authority as applicable from time to time.

(ii) Notwithstanding anything to the contrary in this Plan, the Nomination and Remuneration Committee and / or the Board of Directors shall in their absolute discretion be entitled to amend, alter or terminate this Plan and any Grant hereunder or the terms and conditions thereof from time to time, provided that such amendment, alteration or termination shall to the extent possible be in accordance with and subject to the [SEBI (SBEB & SE) Regulations] until IPO and, in particular, in the case of any Grant previously made, shall not impair or prejudice the rights of the Employee unless the Employee has consented thereto.

(iii) Notwithstanding what is specified in sub-clause (ii) above, the Nomination and Remuneration Committee and the Board of Directors shall be entitled, without any reference to and without the consent of the Employee to amend this Plan and any Grant hereunder or the terms and conditions thereof from time to time in order to comply with Applicable Law which is now or may hereafter become applicable to this Plan or any Grant hereunder, and the Employee shall not have any recourse to the Company for the same.

19.17 Jurisdictional Court:

The plan shall subject to the jurisdiction of courts in Ludhiana.

19.18 Notices:

(1) All notices of communication required to be given by the Company to an Option Grantee by virtue of this Plan shall be in writing. The communications shall be made by the Company in any one or more of the following ways:

i. Sending communication(s) to the address of the Option Grantee available in the records of the Company; and/ or

ii. Delivering the communication(s) to the Option Grantee in person with acknowledgement of receipt thereof; and/ or

iii. Emailing the communication(s) to the Option Grantee at the official email address provided if any by the Company during the continuance of employment; or in case of cessation of employment at the email address provided by the Option Grantee.

19.18.1 All notices of communication to be given by an Option Grantee to the Company in respect of this scheme shall be sent to the address mentioned below:

Compliance Officer
Happy Forgings Limited
B XXIX 2254 1 Kanganwal Road
PO Jugiana, Ludhiana, Punjab.
Email: complianceofficer@happyforgingsltd.co.in
Phone: 161 - 5217162

19.19 General:

(i) The Grant Letter shall be deemed to be incorporated in this Plan by reference. This Plan and the Grant Letter constitute the entire agreement between the Company and the Employee in relation to its subject matter and supersedes in its entirety all prior agreements and understandings of the Company and Employee, whether oral or written, with respect to such subject matter.

(ii) In the event any term, condition or provision of this Plan is held to be a violation of any Applicable Law, the same shall be severable from the rest of this Plan and shall be of no force and effect and this Plan shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Plan.

(iii) The Company does not guarantee any return on the Shares allotted to the Employee upon Exercise of Options Granted under the Plan. Any loss due to fluctuations in the market price or value of the Shares including the shortfall in the expectations or projections and the risks associated with the investment are that of the Employee and his/her assigns, heirs, legal representatives or beneficiaries alone.

IN WITNESS WHEREOF THE following Directors of the Company have hereunto set their respective hand and seal on the 31st day of July, 2023.
Amended as approved by the shareholders in the AGM held on 29th July 2024

SIGNED by the Within Named Directors of **HAPPY FORGINGS LIMITED** pursuant to a resolution of its Board of Directors dated 31st July 2023 authorizing the following Directors:

1. Mr. Paritosh Kumar
2. Mr. Ashish Garg