



17

- (i) Suresh is an employee on a contract basis. His contract is renewed every year. Can he participate in ESOS?
- (ii) Lakshya, an employee, is granted option under ESOS by the company. He writes a letter to his friend Mukesh for transferring the offer. But he dies. With whom will the option vest?
- (iii) Akhil, a director and his wife Beena together hold more than 15% of the equity shares of the company. Can the director Akhil participate in ESOS?
- (iv) The ESOS in Mini Ltd. is a part of public issue and the shares are issued to employees at the same price as in the public issue. What is the duration of the lock-in-period to which these shares are subject to?
- (v) Anil has acquired shares under ESOS in Simi Ltd. Now, Mini Ltd. acquires Simi Ltd. fully. Mini Ltd. allots shares to Anil in lieu of shares which he has under ESOS in Simi Ltd. In Simi Ltd., he has undergone 5 months of lock-in-period. How many minimum months of lock-in-period he has to undergo in Mini Ltd.? (5 marks)



- (i) A person eligible to participate in ESOP must be a permanent employee of the company. Suresh is an employee on a contract basis. Though his contract is renewed every year, he cannot participate in ESOS.
- (ii) As the option granted to an employee cannot be transferrable to any person. No person other than the employee to whom the option is granted shall be entitled to exercise the option. On the death of the employee his legal heir inherit his rights. In the given case, Lakshya, an employee, is granted option under ESOS by the company. He writes a letter to his friend Mukesh for transferring the offer. But he dies, In such case therefore the option vests on his legal heirs.
- (iii) A director who either himself or through his relatives or through any body corporate, directly or indirectly hold more than 10% of the outstanding equity shares of the company, shall not be eligible to participate in ESOS. In the given case, Akhil, a director and his wife Beena together hold more than 15% of the equity shares of the company. Therefore, Akhil cannot participate in ESOS.
- (iv) If ESOS is part of the public issue and the shares are issued to employees at the same price as in the public issue, the shares issued to the employees are not subject to any lock in period. The ESOS in Mini Ltd. is a part of public issue and the shares are issued to employees at the same price as in the public issue. Therefore, there would be no lock-in-period.
- (v) There shall be a minimum period of 1 year between the grant of option and vesting of option. In case where the options are granted under ESOS in lieu of options held by the same person under ESOS in another company which has merged or amalgamated with the first company, the period during which the options granted by the transferor company were held by him shall be adjusted against minimum vesting period. Anil has to undergo 7 months lock in period in Mini Ltd. In the given case, Anil has acquired shares under ESOS in Simi Ltd. Now Mini Ltd. acquires Simi Ltd. fully. Mini Ltd. allots shares to Anil in lieu of shares which he has under ESOS in Simi Ltd. In Simi Ltd., he has undergone 5 months of lock-in-period. Therefore, the remaining 7 months of lock-in-period he has to undergo in Mini Ltd.