

CAPILLARY EMPLOYEES STOCK OPTION SCHEME – 2021

1	Original scheme adopted on	29 October 2021
2	Amended scheme adopted (Appendix A)	November 30, 2021
3	Amended scheme ratified on (RSU)	March 24, 2023
4	Amended scheme adopted on (exit option)	October 10, 2023
5	Amended scheme adopted (IPO)	March 12, 2025
6	Amended scheme adopted (Pool reduction)	April 10, 2025
7	Amendment to Scheme (Pool increased to 7291000)	May 30,2025

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CAPILLARY TECHNOLOGIES INDIA LIMITED

CAPILLARY EMPLOYEES STOCK OPTION SCHEME - 2021

1. Short Title Extent and Commencement

- a) This Scheme may be called the “Capillary Employees Stock Option Scheme - 2021” (hereinafter referred to as “**Scheme/ Plan/ESOP plan 2021**”).
- b) The Scheme sets out the terms and conditions under which the Options (*as defined in the definition clause*) are being granted and Shares are being allotted. The Scheme applies only to the eligible Employees and Eligible Directors of Capillary Group, whether now or hereafter existing, as well as to the eligible Directors of the Company.
- c) This Scheme shall be effective from the date decided by the Board (“**Effective Date**”) of the Company. It shall continue in force until determined by the Board unless all the Options Granted under the Scheme are exercised or have been extinguished or unless the Scheme is terminated.
- d) The Board or Committee may subject to compliance with Applicable Law, at any time alter, amend, revise, suspend or terminate the Scheme.
- e) Notwithstanding anything contained herein;
 - i) the terms of the Scheme with respect to the Options Vested but not yet Exercised by the Option Grantees may only be varied by a special resolution of the shareholders of the Company and such variation shall not be prejudicial to the interests of the Option Grantees. The notice for passing the special resolution of the shareholders of the Company for variation of terms of the Scheme shall disclose the full details of the variation, including the rationale and the details of the Option Grantees who are beneficiaries of such variation.
 - ii) Notwithstanding anything contained in clause (i) above, the Company shall be entitled to vary the terms of the Scheme to meet any regulatory requirement without seeking shareholders’ approval by special resolution.
 - iii) Without the consent of the holder of an Option, the Board cannot make any alteration that may adversely affect the right of the Option Grantee to any Option previously Granted under the Scheme, except as authorized herein. Termination of the Scheme shall not affect any Option previously Exercised.

2. Objectives of the Scheme

This Scheme has been prepared to attract and retain talent in and within the Company, encourage employees to strive to perform better, and ultimately incentivize such employees who exhibit traits appreciated by the Company.

3. Definitions and Interpretations

A. Definitions

Unless otherwise required by the context, in the present Scheme, the following words shall have the meaning set out below. The derivatives of such words shall be construed accordingly.

- a) **“Applicable Laws”** means every law, rule, regulation or bye-law relating to the Scheme, to the extent applicable, including, without limitation, the Companies Act, 2013 as amended, 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 Regulations (*defined hereinafter*), the Income Tax Act, 1961, as amended, along with the rules made thereunder, the Foreign Exchange Management Act, 1999 as amended, along with the rules made thereunder and any statutory modifications or re-enactments thereof, and all relevant tax, securities, exchange control or corporate laws of India or any relevant jurisdiction or of any stock exchange on which the Shares (*as defined hereinafter*) may be listed or quoted including any enactment, re-enactment, amendment, circulars, modification, or alteration thereof.
- b) **“Board”** shall mean the board of directors of the Company., and where the context so requires shall include the Committee constituted by the board of directors to exercise its powers and/or such other persons who may be authorized by the board of directors or the Committee in this regard.
- c) **“Capillary Group”** shall mean the Company and its wholly owned subsidiaries, either existing or as may be incorporated from time to time and its Holding Company and any successor company thereof.
- d) **“Cause”** shall mean any of the following:
- committing any act of misconduct warranting summary termination under Applicable Law and / or employment agreement; or
 - commission of act on part of employee resulting in adverse impact on the Company; or
 - any material breach of any Applicable Law or an offence involving moral turpitude or fraud, embezzlement, theft, or proven dishonesty in the course of the employment; or
 - being disqualified from holding office in the Capillary Group or any other company under any legislation or to be disqualified or disbarred from membership of, or be subject to any serious disciplinary sanction by any regulatory body within the industry, which undermines the confidence of the Board or Committee, as the case may be, in the individual’s continued employment; or
 - having acted or attempted to act in any way which in the opinion of the Board or Committee, as the case may be, has brought or could bring the Capillary Group or any other group member into disrepute or discredit; or
 - breach of any Capillary Group policies/ rules / regulations / terms of employment and includes mismanagement of position by action or inaction, alleged wrongdoing, misfeasance, or violation of any rule, regulation or law which was expected to be abided by the Employee; or
 - Any other act not included above but defined in the Capillary Group rules or code of conduct and/ or employment agreement.
- e) **“Companies Act” means** shall mean the Companies Act, 2013 along with the rules, regulations,

clarifications, circulars and notifications issued, thereto as amended, modified and re-enacted till date and shall include any statutory modifications or re-enactments thereof.

- f) **“Company”** means Capillary Technologies India Limited, a company incorporated and registered under the Companies Act, 1956 having its registered office located at #360, bearing PID No.:101/360, 15th Cross Rd, Sector 4, HSR Layout, Bengaluru – 560 102, Karnataka, India and includes present and future Subsidiary Company in or outside India, of the Company.
- g) **“Committee”** means Nomination and Remuneration Committee of the Company, designated as Compensation Committee for the purpose of monitoring, administering, superintending, and implementing this scheme in compliance with applicable Laws.
- h) **“Control”** shall have the meaning as ascribed in the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- i) **“Corporate Action”** means the following events: (a) any rights issue or bonus issue of shares by the Company; or (b) any stock-split, consolidation, or other similar action in respect of the Share capital; or (c) any merger or consolidation or other reorganization, reclassification or similar event in respect of the Share capital where the shareholders of the Company do not Control such merged or consolidated entity.
- j) **“Director”** shall mean a director on the Board, duly appointed in terms of the Companies Act.
- k) **“Eligibility Criteria”** shall mean the criteria as may be determined from time to time by the Committee, for granting the Options to the Employees. It is clarified that any change in the original criteria shall not be prejudicial or detrimental to the interest of the Option Grantees.
- l) **“Employee”** shall mean
 - Where the Company is an unlisted entity (as per Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014, as amended):
 - i) a permanent employee of the Company who has been working in India or outside India, or
 - ii) a director of the Company, whether a whole-time director or not but excluding an Independent Director;
 - iii) an employee as defined in clause (i) or (ii) of a subsidiary of the Company, in India or outside India, or of a Holding Company of the Company but does not include:
 - (a) an employee who is a Promoter or a person belonging to the Promoter Group; or
 - (b) a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the Company.
 - Where the Company is a listed entity (as per Regulation 2(i) of the SEBI SBEB Regulations, as amended):
 - i) an employee as designated by the Company, who is exclusively working in India or outside India; or
 - ii) a director of the Company, whether a whole-time director or not, including a non-executive director who is not a Promoter or member of the Promoter Group, but excluding an Independent Director; or
 - iii) an employee as defined in sub-clauses (i) or (ii), of a group company including subsidiary or

its associate company, in India or outside India, or of the Holding Company of the Company, but does not include –

- (a) an employee who is a Promoter or a person belonging to the Promoter Group; or
 - (b) a director who, either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten percent of the outstanding Shares of the Company.
- m) **“Exercise”** shall mean making of an application by an Option Grantee to the Company to purchase the Shares underlying the Vested Options, in pursuance of the Scheme and which has been accepted by the Company in accordance with the procedure laid down in this Scheme by the Company for exercise of such Options. The term “Exercised” or “Exercising” shall be construed accordingly.
- n) **“Exercise Period”** shall mean the time period after Vesting within which an Options Grantee can Exercise his/her right to apply for Shares against the Vested Options in accordance with this Scheme.
- o) **“Exercise Price”** shall mean the price payable by the Option Grantee for Exercise of the Vested Options in accordance with this Scheme and set forth in the Grant Letter.
- p) **“Fair Market Value/ FMV”** of the Shares (a) prior to Listing shall mean the value of the Shares as determined by an Valuer, appointed by the Board in accordance with the provisions under the Companies Act, or (b) once the Shares are listed, shall mean the latest available closing price on a recognized stock exchange on which the shares of the Company are listed on the date immediately prior to the Relevant Date. If such shares are listed on more than one stock exchange, then the closing price on the stock exchange having higher trading volume shall be considered.
- q) **“Financial Year”** means the period commencing from April 1 in any calendar year and ending March 31 in the immediately succeeding calendar year.
- r) **“Grant”** shall mean the issue of Options to an Employee in accordance with this Scheme. The expression “Granted” shall be construed, accordingly.
- s) **“Grant Date”** shall mean the date on which the Committee approves the Grant.
- Explanation: For accounting purpose, the Grant Date will be determined in accordance with applicable accounting standards.
- t) **“Grant Letter/ Letter of Grant”** means the written or electronic letter/agreement issued to an Employee granting Options and containing other specific details and conditions, including the number of Options Granted, Exercise Period, Exercise Price, etc. The Scheme shall form an integral part of the Grant Letter.
- u) **“Group”** shall mean two or more companies which, directly or indirectly, are in position to:
- i) exercise twenty six percent or more of the voting rights in the other company; or
 - ii) appoint more than fifty percent of the members of the Board in the other company; or
 - iii) control the management or affairs of the other company.
- v) **“Holding Company”** shall mean any existing or future holding company, if any, of the Company.

- w) **“Independent Director”** shall mean have the same meaning assigned to it under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act.
- x) **“Initial Public Offering”** or **“IPO”** shall means an offer of specified securities by the Company to the public for subscription and includes an offer for sale of specified securities to the public by any existing holders of such specified securities in the Company; .
- y) **“Liquidity Event”** shall mean any event of the Company being taken-over as contemplated in the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or amalgamated or merged with some other company or a strategic acquisition in a manner whereby the existing shareholders of the Company (as on the date of adoption of the Scheme) shall cease to have Control or joint venture (in which Company has joint interest of not exceeding 49%) or an IPO (on a stock exchange in India or abroad) or winding up or dissolution of the Company or such other event as may be declared by the Board as Liquidation Event.
- z) **“Listing”** shall mean the listing of Shares on any stock exchange as per Applicable Law.
- aa) **“Option”** shall mean an option given to an Employee which gives such Employee a right, but not an obligation to purchase or subscribe at a future date, the Shares offered by the Company, directly or indirectly, at a pre-determined price, in accordance with this Scheme.
- bb) **“Option Grantee”** shall mean an Employee who has been granted an Option in pursuance of the Scheme and shall deem to include nominee/ legal heir of an Option Grantee in case of his/her death/ Permanent Incapacity, to the extent provisions of the Scheme are applicable to such nominee/ legal heir.
- cc) **“Permanent Incapacity”** means any disability of whatsoever nature, be it physical, mental or otherwise, as determined by the Board, which incapacitates or prevents or handicaps an Employee from performing any specific job, work or task which the said Employee was capable of performing immediately before such disablement, as determined by the Board based on a certificate of a medical expert (of a reputed hospital) identified by the Board.
- dd) **“Promoter”** shall have the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- ee) **“Promoter Group”** shall have the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- ff) **“Relevant Date”** shall mean (i) in the case of Grant, the date of the meeting of the board of directors of the Company/ compensation committee/ nomination and remuneration committee constituted by the Board (as the case may be) on which the Grant is made; or (ii) in the case of Exercise, the date on which the Exercise form is given to the Company by the Employee.
- gg) **“Scheme/ Plan/ ESOP Plan 2021”** mean Capillary Employees Stock Option Scheme – 2021 and shall include any alteration(s), amendment(s), addition(s), deletion(s), modification(s), or variation(s) thereof from time to time.

- hh) **“SEBI”** shall mean Securities and Exchange Board of India.
- ii) **“SEBI SBEB Regulations”** means the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 issued by the SEBI under the SEBI Act, 1992 and shall include any alterations, amendments, additions, deletions, modifications or variations thereof from time to time.
- jj) **“Share(s)”** means an equity shares of the Company within the meaning of the articles of association of the Company.
- kk) **“Subsidiary Company”** shall mean any present or future subsidiary company of the Company, as per the provisions of the Companies Act.
- ll) **“Termination Date”** means the date of termination of employment of the Employee with the Company or with Capillary Group.
- mm) **“Valuer”** means an independent chartered accountant or a merchant banker appointed to determine the valuation of know-how or intellectual property rights or value addition.
- nn) **“Vesting”** means the process by which an Employee is given the right to apply for Shares of the Company against the Option Granted to him in pursuance of the Scheme. The terms “Vest” and “Vested” shall be construed accordingly.
- oo) **“Vesting Condition”** shall mean any condition prescribed by the Committee and detailed in the grant letter, subject to the satisfaction of which, the Options granted would vest with Option Grantee.
- pp) **“Vesting Period”** means the period during which the Vesting of the Options takes place in accordance this Scheme.
- qq) **“Vested Option”** shall mean an Option in respect of which the relevant Vesting Conditions have been satisfied and the Option Grantee has become eligible to Exercise the Option.
- rr) **“Unvested Option”** shall mean an Option in respect of which the relevant Vesting Conditions have not been satisfied and as such, the Option Grantee has not become eligible to Exercise the Option.

B. Interpretation

In this Scheme, unless the contrary intention appears:

- a) the section headings/ subheadings / titles / subtitles are only for the sake convenience only and shall not be interpreted to restrict or otherwise affect the meaning or import of the articles of association of the Company, which shall be interpreted solely in light of the contents thereof relevant to interpretation;
- b) any reference to a clause or section number includes reference to its sub-clauses;
- c) the term 'including' shall mean 'including without limitation', unless otherwise specified;
- d) words in singular number include the plural and vice versa;

- e) words importing a gender include any other gender; and
- f) reference to recitals / clauses/ sub-clauses and schedules / appendices shall be deemed to be a reference to any part of that to the recitals, clauses, sub-clauses and schedules/appendices of this Scheme.
- g) reference to any act, rules, statute or notification shall include any statutory modification, substitution or re-enactment thereof;

Words and expressions used and not defined here but defined under any applicable laws including any statutory modification or re-enactment thereto, shall have the meanings respectively assigned to them in those legislation, as the context requires.

C. Appraisal and Eligibility Criteria:

The Committee may on the basis of all or any of the following criteria, decide on the Employees who are eligible for the Grant of Options under the Scheme, the number of Options to be Granted and the terms and conditions thereof.

- ☐ Depending upon the role/ position of the employee and its criticality.
- ☐ **Performance of Employee:** Employee's performance during the financial year in the Company/ Holding/Subsidiary(ies)/ Associate Company.
- ☐ **Longevity of Service:** It will be determined on the basis of tenure of employment of an Employee in the Company/Subsidiary(ies)/Associate Company.
- ☐ **Performance of Company:** Performance of the Company/Subsidiary(ies) as per the standards to be set by the Committee/ Board of Directors from time to time.
- ☐ Any other criteria as decided by the Committee in consultation with Board of Directors from time to time.

The Employees satisfying the Eligibility Criteria shall be termed as “Eligible Employee”.

New Joinees can also participate in the Scheme and be Granted Options based upon the discretion of the Committee.

Nothing in the Scheme or in any Option Granted pursuant to the Scheme shall confer on any Employee, any right to continue in the employment of the Company/Holding/ Subsidiary(ies)/ Associate Company or interfere in any way with the right of the Company/ Subsidiary(ies)/ Associate Company to terminate the Employee's employment at any time.

4. Reservation of Shares

- a) The shareholders of the Company by way of amendment, in their meeting held on May 30, 2025, have authorized the Board to grant up to 72,91,000 (Seventy Two lakh Ninety one Thousand options) convertible into 72,91,000 (Seventy Two lakh Ninety one Thousand options) Shares (“**ESOP Pool**”) of face value of INR 2/- each, fully paid-up (1 Option is equal to 1 Share of the Company) to the Employees, in accordance with the terms and conditions of such Grant.

- Prior to April 10, 2025, ESOP pool was 71,75,000 (Seventy One Lakh Seventy Five Thousand Options) convertible into 71,75,000 (Seventy One Lakh Seventy Five Thousand) Shares of face value of INR 2/- each.
- W.e.f. April 10, 2025, ESOP pool reduced 32, 60,000 (Thirty Two lakh Sixty Thousand options) convertible into 32,60,000 (Thirty Two lakh Sixty Thousand) Shares.

- b) All Options that expire or for any reason are lapsed, cancelled, terminated, forfeited, fail to Vest, expired or for any other reason are not paid or delivered under this Scheme will again be available for subsequent Grant under this Scheme or shall be transferred to any subsequent share option scheme introduced by the Company.
- c) Where Shares are issued consequent upon Exercise under this Scheme, the maximum number of Shares that can be issued under Scheme as referred to in Clause 4(a) above will stand reduced to the extent of such Shares issued.
- d) The Company reserves the right to increase or decrease such number of Options as it deems fit, in accordance with the Applicable Laws.
- e) In case of sub division/ consolidation where the face value of the Shares is decreased/ increased, the maximum number of Shares available for being granted under the Scheme shall stand modified accordingly, so as to ensure that the cumulative face value (number of shares X face value per share) prior to such sub division/ consolidation remains unchanged after the sub division/ consolidation.

a) Implementation and Administration

- a) The Scheme shall be implemented through direct route for extending the benefits to the eligible Employees by the way of fresh allotment.

Provided that if prevailing circumstances so warrant, the Company may change the mode of implementation of the Scheme subject to the condition that a fresh approval of the shareholders by a special resolution is obtained prior to implementing such a change and that such a change is not prejudicial to the interests of the Grantees.

- b) Subject to Applicable Laws and the framework laid down by the Board, the Scheme shall be administered by the Committee, which may delegate its duties and powers in whole or in part as it may decide from time to time.
- c) Subject to Clause 1(e) above, The Committee is authorized to interpret the Scheme, to establish, amend and rescind any rule(s) and regulation(s) relating to the Scheme and to make any other determinations that it deems necessary or desirable for the administration and implementation of the Scheme subject to Applicable Law. The Committee may correct any defect, omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems necessary or desirable and to resolve any difficulty in relation to implementation of this scheme and to take any action which the Committee is entitled to take.
- d) Any decision of the Committee in the interpretation and administration of the Scheme, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all the parties concerned (including but not limited to, Grantee and/or Employee and their Nominees / Legal heirs).

b) Administration of the Scheme (Power of the Committee)

- a) The Committee may from time to time, define the maximum number of Options to be Granted per Employee of the Company provided that Grant of Options to an Employee, during any 1 (one) year, shall not be equal to

or be exceeding 1 (one) percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of the Grant.

Provided, in the event the maximum number of Options to be Granted to an eligible Employee of the Company, during any one year, equals to or exceeds one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of the Grant, the approval of the shareholders at a general meeting of the Company shall be taken in compliance with the Applicable Law.

- b) The Committee shall, in accordance with this Scheme and Applicable Law determine, *inter alia*, the following:
- i) The Eligibility Criteria for grant of Options to the Employee;
 - ii) The quantum of Options to be granted under the Scheme per Employee, and in aggregate, subject to the ceiling, as may be determined by the Board or Committee;
 - iii) The Vesting Condition(s) of Options granted;
 - iv) The Exercise Period and conditions within which the Employee can exercise the Options;
 - v) Performance criteria(s), if any for the Employees;
 - vi) The specified time period within which the Employee shall exercise the Vested Options in the event of termination or resignation of an Employee;
 - vii) The right of an Employee to exercise all the Vested Options at one time or at various points in time within the Exercise Period;
 - viii) The procedure and terms for the Grant, Vesting schedule and Exercise of Options in case of Option Grantees who are on long leave;
 - ix)
 - x) The conditions under which the Options granted to the Employees may lapse in case of Cause, whether resulting in (i) termination of employment or not, or (ii) commission of act on part of Option Grantee resulting in adverse impact on the Company or not;
 - xi) The procedure for making a fair and reasonable adjustment in case of corporate actions such as merger, sale of division, stock split/ consolidation, rights issues, bonus issues and others, and in this regard, the following shall, *inter alia*, be taken into consideration by the Board or the Committee:
 - i. the number and price of Options or the conversion ratio of Options to Shares i.e. the number of Shares eligible for each Option shall be adjusted in a manner such that total value of the Options to the Employee remains the same after the corporate action;
 - ii. the Vesting period and the life of the Options shall be left unaltered as far as possible to protect the rights of the Employee(s) who is granted such Options.
 - xii) The procedure for cashless Exercise of Employee Stock Options, if required;
 - xiii) The procedure for implementation of the Scheme through Trust route, if required, after obtaining approval of the Shareholders;
 - xiv) Approve forms, writings and/or agreements for use in pursuance of the Scheme;
 - xv) Such steps as may be necessary for the winding up or the termination of this Scheme provided that the same shall not be prejudicial to the interest of the Employees and shall be pursuant to the provisions of this Scheme and Applicable Laws;
 - xvi) The procedure for the buy-back of Vested Options granted under this Scheme, if to be undertaken at any time by the Company, and the applicable terms and conditions, including: (i) permissible sources of financing of buy-back; (ii) any minimum financial thresholds to be maintained by the Company as per its last financial statements; and (iii) the limits upon the quantum of Vested Options that the Company may buy-back in a Financial Year;
 - xvii) The procedure for funding of Exercise of Options, if required;

- xviii) The Board or the Committee shall frame suitable policies and procedures to ensure that there is no violation of Applicable Law (specifically securities laws, as amended from time to time, including Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 by the Company and its employees), as applicable.

c) Eligibility

- a) The Committee shall Grant Options to Employees, based upon criteria if any, laid down by the Board from time to time. Where no such criteria has been laid down by the Board, the Committee shall determine the criteria for Grant based on objective parameters like qualification, past and present performance, experience, technical knowledge and prevailing policies of the Company.
- b) The Scheme shall be applicable to the Capillary Group and may be Granted to the Employees, as determined by the Committee, subject to the Applicable Law, on its own discretion.

The Options granted to an Employee shall be subject to the terms and conditions set forth in this Scheme and the Grant Letter issued to the respective Employees, and the Applicable Law.

8. Grant and acceptance of Grant

- a) The Grant of Options shall be evidenced by a Grant Letter in such form as Board or Committee may decide, however, every Grant Letter shall include details of the Vesting Period, Vesting Conditions, Exercise Price and Exercise Period applicable to the Options.
- b) The Grant Letter shall be deemed to incorporate all the terms of this Scheme, as if the same were set out therein. In the event of inconsistency between the Grant Letter and this Scheme, the Scheme shall prevail.
- c) The Option granted to the Employees shall not be transferable to any other person.
- d) The Option granted to the Employees shall not be pledged, hypothecated, mortgaged or otherwise encumbered or alienated in any other manner.
- e) No person other than the Option Grantee shall be entitled to the benefit arising out of all or any portion of the Options.

Provided that in this case, subject to applicable laws, the Company may fund or permit the empanelled stock brokers to make suitable arrangements to fund the Employee for payment of exercise price, the amount necessary to meet his/her tax obligations and other related expenses pursuant to Exercise of Options Granted under the Scheme and such amount shall be adjusted against the sale proceeds of some or all the Shares of such Employee.

- f) Approval of shareholders by way of a separate resolution in the general meeting shall be obtained by the Company in case of Grant of Option to Employees of Subsidiary Company or Holding Company.

Any Employee who wishes to accept the Grant made, must deliver a signed copy of the acceptance form (Schedule B) to the Committee or any of its authorized representatives within 30 days from the date of receipt of the Grant Letter.

- g) Any such Employee who fails to return the signed copy of the acceptance form (Schedule B) within the above-mentioned time limit shall, unless the Committee determines otherwise, be deemed to have accepted the Grant.
- h) Upon acceptance of the Grant in the manner described above, the Employee henceforth referred to as an Option Grantee, shall be bound by the terms, conditions and restrictions of the Scheme, the Grant Letter, and Applicable Laws. The Option Grantee's acceptance of the Grant of Options under the Scheme, within the time period provided, shall be deemed to constitute an agreement between the Option Grantee and the Company, to comply with the terms of this Scheme along with the terms of the Grant Letter.
- i) An Employee shall not have the right to receive any dividend or to vote or in any manner enjoy the benefits available to a shareholder in respect of an Option Granted to him/her, till Shares are issued to him/her upon Exercise of the Option.

9. Vesting of Options

9.1 Vesting Period

- a) There shall be a minimum period of one (1) year between the Grant of Options and Vesting of Options, with a maximum period of ten (10) years from the date of Grant by the Committee in accordance with 6(b)(iii) including the continued employment with the Company, and certain performance conditions, and thus the Options would vest on passage of time on a quarterly/half yearly/ yearly basis.

Provided that in case where Options are granted by the Company under the Scheme in lieu of options held by a person under a similar Scheme in another company which may get merged, demerged, arranged or amalgamated in the Company or acquired by the Company, the period during which the options granted by the transferor company were held by him/her may be adjusted against the minimum Vesting Period required under this sub-clause.

- b) Vesting of Options would be subject to continued employment with the Company, including the Holding Company, the Subsidiary Company (ies) or other entities forming a part of Capillary Group, as the case may be, and thus the Options would vest essentially on passage of time. In addition to this, the Committee, may also specify certain performance criteria subject to satisfaction of which the Options would vest.
- c) The specific Vesting schedule and Vesting Conditions subject to which Vesting would take place would be outlined in the Grant Letter provided to the Option Grantee at the time of Grant of Options.
- d) The Committee shall have the power to modify or accelerate the Vesting schedule on a case-to-case basis subject to the minimum gap of 1 (One) year between the Grant and first Vesting, except as may be permitted under Applicable Laws.

9.2 Vesting of Options in case of employees on long leave

Subject to Clause 6(b)(vii), the period of leave shall not be included in determining the Vesting Period in the event the Employee is on a sabbatical. In all other events including approved leave, earned leave and sick leave, the period of leave shall be included to calculate the Vesting Period, unless otherwise determined by the Committee or the Board.

9.3 Vesting Condition of an Option

- a) The Committee may specify in the Grant Letter (a) one or more Vesting Conditions for the Option; and the (b) the performance period.
- b) A Vesting Condition and performance period may be specified to apply only to part of the Options Granted.
- c) Any Vesting Condition shall be a measure of the performance of the Company and/or the Option Grantee.
- d) As soon as reasonably practicable after the end of the performance period (if any) with respect to one or more Vesting Conditions, the Board/ Committee shall review such Vesting Conditions and determine whether such Vesting Conditions have been satisfied. In making such determination, the Board/ Committee may set out the procedures as required.
- e) If the Board/ Committee determine in its sole discretion that the Vesting Conditions have not been satisfied, the Options in respect of which such Vesting Conditions was specified in the grant letter for such Option shall lapse upon such determination.
- f) Subject to any restrictions on variation or waiver specified by the Board/ Committee, the Board/ Committee may vary or waive any Vesting Conditions if the Board/ Committee decides that the Vesting Condition is no longer an appropriate measure of performance or when the Vesting Condition has become incapable of being satisfied, in whole or in part. The Board/ Committee shall exercise its discretion under this sub-clause in a manner that is fair and reasonable.
- g) If an Option is subject to any Vesting Condition, the Board/ Committee shall notify the Option Grantee within a reasonable time after the Board/ Committee becomes aware of the following relevant information:
 - i) whether (and if relevant, to what extent) the Vesting Condition has been satisfied;
 - ii) when that Vesting Condition has become incapable of being satisfied, in whole or in part; and/ or
 - iii) any waiver or variation of that Vesting Condition by the Board/ Committee.

10. Exercise of Options

10.1 Exercise Price

- a) **Pre-listing** -The Exercise Price shall be as may be determined by the Committee at the time of Grant of Options provided that the Exercise Price shall not be more than the FMV as on the date of Grant of Options. **Post Listing** - the Exercise Price per option shall be a price which should not be more the volume weighted average price of last 90 days immediately preceding working day of the date of grant of Options, on the stock exchange, having the highest trading volume.
- b) The Company may reprice the Options which are not exercised, whether or not they have been Vested if the Scheme is rendered unattractive due to fall in the price of the Shares.

Provided that the Company shall ensure that such repricing shall not be detrimental to the interest of the Employees and after complying the applicable laws.

- c) The aggregate Exercise Price payable at the time of Exercise shall be paid using any one of the below methods, at the option of the Option Grantee
- i) national electronic fund transfer (NEFT) to such bank account of the Company as may be notified by the Company, or
 - ii) a cheque or demand draft drawn in the name of the Company i.e. Capillary Technologies India Limited, or
 - iii) any other method acceptable to the Company at its sole discretion.

10.2 Exercise Period

- a) At the time of a Liquidity Event, Options can be exercised only as per the provisions outlined in table below:

A) VESTED OPTIONS		
Particulars	Prior to Listing	Post Listing
In case of continuation of employment	All the Vested Options can be Exercised by the Option Grantee at the time of Liquidity Event.	All the Vested Options (whether granted pre-Listing or post-Listing) can be exercised within (a) 10 (ten) years from the date of vesting of options, or (b) 12 (twelve) years from the date of Listing, whichever is later.
Resignation	All the Vested Options as on date of resignation of employment can be Exercised upon the occurrence of the Liquidity Event.	All the Vested Options as on that date shall be exercisable by the Option Grantee within 1 year from his last working day with the Company.
Death	All the Vested Options as on date of death shall accrue to the legal heirs or nominees (as the case may be) who shall be entitled to Exercise upon the occurrence of the Liquidity Event.	All Options Granted as on date of death would vest in the legal heirs / nominee of the Grantee on that day. The Options would be exercisable by the legal heirs / nominee within a period of 1 year from the date of death, failing which all the Unexercised Options shall lapse irrevocably and the rights there under shall be extinguished and such lapsed options shall be available for further grants.

Termination due to Permanent Incapacitation	All the Vested Options as on date of Permanent Incapacity shall accrue to the legal heirs or nominees (as the case may be) who shall be entitled to Exercise upon the occurrence of the Liquidity Event.	All Options Granted to Grantee as on date of Permanent Incapacity would vest in Grantee on that day. The Options would be exercisable within a period of 1 Year from the date of Permanent Incapacity by the Grantee/nominee, failing which all the Unexercised Options shall lapse irrevocably and the rights there under shall be extinguished and such lapsed options shall be available for further grants.
Termination due to Cause	All the Vested Options which were not exercised at the time of such termination shall stand cancelled with effect from the date of such termination of employment and such options shall be added back to the ESOP Pool.	All the Vested Options which were not exercised at the time of such termination shall stand cancelled with effect from the date of such termination of employment and such options shall be added back to the ESOP Pool.
Termination by Company without Cause	All the Vested Options as on date of Resignation of employment can be exercised upon the occurrence of the Liquidity Event or as decided by the Committee	All Vested Options shall be exercisable by the Grantee within a period of 1 year from Cessation date. The vested Options not so exercised shall lapse irrevocably and the rights there under shall be extinguished and such lapsed options shall be available for further grants.
Separation due to reasons other than those mentioned above	The Committee can decide whether the Vested Options on the date of separation can be exercised by the Option Grantee or not, and such decision shall be final.	The Committee will decide whether the Vested Options on the date of separation can be exercised by the Option Grantee or not, and such decision shall be final.
Cessation of employment due to Retirement/ Superannuation	All the Vested Options as on date of Resignation of employment can be exercised upon the occurrence of the Liquidity Event or as decided by the Committee	All the Vested Options shall be exercisable by the Grantee within a period of 1 year from Retirement/Superannuation. The vested Options not so exercised shall lapse irrevocably and the rights there under shall be extinguished and such lapsed options shall be available for further grants
A) UNVESTED OPTIONS		
Particulars	Prior to Listing	Post Listing
In case of continuation of employment	All Unvested Options would continue to vest as per the original Vesting schedule.	All the Unvested Options shall continue to Vest as per the Vesting schedule.
Resignation	All the Unvested Options as on date of resignation shall cease to Vest with the Employee and such Unvested Options shall be added to the ESOP Pool. It is clarified that no Options shall Vest	All the Unvested Options as on date of resignation shall cease to Vest with the Employee and such Unvested Options shall be added to the ESOP Pool. It is clarified that no

	during the notice period of the Employee.	Options shall Vest during the notice period of the Employee.
Death	All the Unvested Options as on date of death shall vest immediately to the legal heirs or nominees (as the case may be) who shall be entitled to Exercise upon the occurrence of the Liquidity Event.	All the Unvested Options as on the date of death shall vest immediately and may be exercised by the Option Grantee's nominee or legal heirs immediately after, but in no event later than 1 year from the date of death of the Option Grantee. It is hereby clarified that the Vesting Period of 1 (one) year as regards Vesting will not apply in case of death of Option Grantee.
Termination due to Permanent Incapacitation	All the Unvested Options as on date of Permanent Incapacity shall accrue to the legal heirs or nominees (as the case may be) who shall be entitled to Exercise upon the occurrence of the Liquidity Event.	All the Unvested Options as on the date of such Permanent Incapacitation shall vest immediately and can be exercised by the Option Grantee or, in case of his death, the nominee or legal heirs immediately after, but in no event later than 1 year from the date of termination of the Option Grantee. It is hereby clarified that the Vesting Period of 1 (one) year as regards Vesting will not apply in case of Permanent Incapacity of Option Grantee.
Termination with cause	All Unvested Options on the date of termination shall stand cancelled with effect from that date.	All Unvested Options on the date of termination shall stand cancelled with effect from that date.
Termination by Company without Cause	Acceleration of Unvested Options up to 50%, subject to completion of minimum vesting period, on the sole discretion of the Committee. Remaining Unvested Options will stand cancelled as on the date of such resignation.	Acceleration of Unvested Options up to 50%, subject to completion of minimum vesting period, on the sole discretion of the Committee. Remaining Unvested Options will stand cancelled as on the date of such Resignation.
Separation due to reasons other than those mentioned above	All Unvested Options on the date of separation shall stand cancelled with effect from that date.	All Unvested Options on the date of separation shall stand cancelled with effect from that date.

Cessation of employment due to Retirement/ Superannuation	All Unvested Options would continue to vest in accordance with the respective vesting schedules even after retirement or superannuation in accordance with the company's policies and the applicable law.	All Unvested Options would continue to vest in accordance with the respective vesting schedules even after retirement or superannuation in accordance with the company's policies and the applicable law.
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Explanation :

**Resignation – date on which the Employee tenders his notice of resignation i.e. conveys his intent to cease employment with the Company at a future date.*

*** Where the termination is initiated by the Company, for any reason whatsoever, Resignation shall mean the date of Notice / Intimation provided by the Company to the Employee, conveying a future date of cessation of services.*

10.a. For administrative convenience, Options shall be exercisable only during the periodic exercise window opened by the Company, in the manner stated under Clause 10.5. Post listing, Options shall be exercisable only during the periodic exercise window opened by the Company, in the manner as determined by the Committee, which is not detrimental to the interest of the option holders.

10.b. In the event that a Grantee is transferred or deputed to a Subsidiary or the Holding Company prior to Vesting or Exercise of Options, the Vesting and Exercise of Options, as per the terms of Grant, shall continue even after such transfer or deputation.

c. In the event of Abandonment of service by the Grantee, all Options (Vested Options or Unvested Options) at the time of Abandonment of service, shall stand terminated forthwith. The date of Abandonment of service by the Grantee shall be decided by the Committee at its sole discretion which decision shall be binding on such Grantee.

d. In the event of a Grantee going on Long Leave, the treatment of Options Granted to him/her, whether vested or not, shall be determined by the Committee, whose decision shall be final & binding.

e. In the event that a Grantee is transferred pursuant to scheme of arrangement, amalgamation, merger or demerger or continued in the existing Company, prior to the Vesting or Exercise, the treatment of Options in such case shall be specified in such scheme of arrangement, amalgamation, merger or demerger provided that such treatment shall not be prejudicial to the interest of the Grantee.

f. In the event where a Dispute arises between Grantee and the Company, Vesting and/or Exercise of Options will be put on hold till the date of settlement of the dispute, to the satisfaction of the Committee.

10.3 The Options not exercised within the Exercise Period stated in Clause 10.2 above shall lapse and the Employee shall have no right over such lapsed or cancelled Options.

10.4 Exercise Procedure

- a) The Option Grantee can Exercise the Vested Options through a written notice (in such form as may be specified) and shall be bound to make full payment of Exercise Price with respect to the Options Exercised.
- b) No Option may be Exercised for a fractional Share.

10.5 Exercise in case of Liquidity Event:

In case of a Liquidity Event as defined in Clause 3(u) of the Scheme,

- a) The Board or Committee, shall have full discretion in determining the terms and conditions for Exercise of the Options held by the Option Grantee, including specifying the maximum number of Options that can be exercised in any such Liquidity Event, the procedure for exercise of such options and the treatment of the Unvested Options.
- b) The Committee may at its sole discretion accelerate the Vesting Period of the Options (or a part thereof), subject to Applicable Law, immediately prior to the occurrence of a Liquidity Event (such Options “**Accelerated Options**”).
- c) the Option Grantee will have the option of Exercising the Accelerated Options on or prior to such date as may be determined by the Committee. In the event the Option Grantee elects to not exercise the Accelerated Options, such Accelerated Options shall lapse. Provided that, in the event the Committee chooses to accelerate the Vesting of Options, and thereafter, no Liquidity Event occurs, the Committee shall have the right to cancel such acceleration and the Unvested Options shall continue to be subject to the original Vesting schedule approved with respect to such Unvested Options.
- d) The shareholders shall have the right to drag-along any or all the Options / Shares of the Option Grantees to enable any strategic sale or winding up or acquisition. In such a case, the Board or Committee shall prescribe the terms and conditions, including but not limited to the number of Shares to be dragged-along, price per Share, the manner and mode of transfer of such Shares.
- e) The Option Grantees shall take all necessary and desirable actions in connection with the drag-along, including exercising of their Vested Options, executing agreements and instruments and taking other actions as may be reasonably necessary and prescribed by the Board or Committee.
- f) Notwithstanding anything contained elsewhere in the Scheme, the Board or Committee may prescribe special provisions, including varying the terms of the Scheme, in the case of Listing of the Shares of the Company, subject to compliance with Applicable Laws.

If an Option Grantee fails for any reason to take any of the actions required to enable the Liquidity Event, he / she shall be deemed to have appointed any director nominated by the Board as his / her attorney, on his/her behalf and in his / her name, with full power, to execute, complete and deliver any document or instrument or to take any other action, including to receive the proceeds of the sale and to give good quitittance for the sale price in order to complete the said Liquidity Event. The Option Grantee shall confirm and ratify the acts of such director acting as his attorney under this Sub-clause.

- g) Nothing contained in this Clause 10.5 shall apply after Listing.

11. Cashless exercise

The Committee may in its sole discretion offer Cashless Exercise facility to the Option Grantee. Under a Cashless Exercise, an Option Grantee who exercises the Options will have to simultaneously sell the Shares acquired on Exercise of Options and will only be entitled to receive the difference between the selling price and the Exercise Price for the Options exercised by him after deducting taxes payable, unless agreed otherwise

in the Grant Letter, on exercise/ sale, if any, and other amounts, expenses and charges due from him (including that in connection with the sale) subject to provisions under Applicable Laws.

For the purpose of implementing the 'Cashless Exercise', the Committee shall be entitled to specify such procedures and/ or mechanisms for the Shares issued on exercise of the Options as may be necessary and the same shall be binding on the holder.

12. Terms and conditions of Shares

- a) Nothing herein is intended to or shall give the Grantee, any right to status of any kind as a shareholder of the Company (for example, bonus shares, rights shares, dividend, voting etc.) in respect of any Share covered by the Grant unless the Grantee exercises the Options, is allotted the Shares and becomes the shareholder of the Company.
- b) The Grantee shall not be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being unable to Exercise an Option in whole or in part.

13. Notice and correspondence

- a) Any notice required to be given by an Employee to the Company, Board or the Committee or any correspondence to be made between an Employee and the Company, Board or the Committee may be given or made to the Company / Board/ Committee at the corporate office or registered office of the Company or at the place as may be notified by the Company/ Board/ Committee in writing or at the specific designated email ID of the Company.
- b) Any notice, required to be given by the Company, Board or the Committee to an Employee or any correspondence to be made between the Company, Board or the Committee and an Employee shall be given or made by the Company, Board or the Committee on behalf of the Company at the address provided by the Employee while accepting the Option granted to him or at the official email ID of the Employee.

14. Certificate from Auditors

Post Listing, the Board shall at each annual general meeting of the Company place before the shareholders a certificate from the secretarial auditors of the Company that, the Scheme and its implementation has been in accordance with Applicable Law and the resolution(s) passed in the annual general meeting of the Company with regards to the Scheme.

15. Recovery of applicable taxes

Unless agreed otherwise in the grant letter:

- a) The liability of paying taxes, if any, in respect of Options granted pursuant to this Scheme and the Shares issued pursuant to Exercise thereof shall be entirely on Option Grantee and shall be in accordance with the provisions of the Applicable Laws.
- b) The Company shall have the right to deduct from the Option Grantee's salary or recover any tax that is required to be deducted or recovered under the Applicable Laws. In case of non-continuance of employment, the outstanding amount of the tax shall be recovered fully on or before full and final settlement.

- c) The Company shall have no obligation to deliver Shares until the Company's tax deduction obligations, if any, have been satisfied by the Option Grantee in full.

16. Surrender of Options

Any Employee to whom Options are granted under this Scheme, may at any time, surrender his Options to the management. In such case the Company would not be liable to pay any compensation to the Employee on account of his surrender of Options. The Options so surrendered by the Employee will be added back to the pool of un-granted Options and pursuant to this, the Employee shall cease to have all rights and obligations over such Options.

17. Regulatory Approvals

The implementation of the Scheme, the Granting of any Option under the Scheme and the issuance of any Shares under this Scheme shall be subject to the procurement by the Company and the Employee/ beneficiary of all approvals and permits, if any, required by any regulatory authorities having jurisdiction over the Scheme. The Employee/ beneficiary under this Scheme will, if requested by the Committee/ Company, provide such assurances and representations to the Company or the Committee, as the Committee may deem necessary or desirable to ensure compliance with all applicable legal and accounting requirements.

18. Modification of Scheme

- a) Subject to the approval of shareholders via a special resolution, the Committee may, at any time:
 - i) Revoke, add to, alter, amend or vary all or any of the terms and conditions of the Scheme or all or any of the rights and obligations of the Employee in compliance with provisions under Applicable Laws. However, the Company shall not vary the terms of the schemes in any manner, which may be detrimental to the interests of the Employees;
 - ii) Formulate various sets of special terms and conditions in addition to those set out herein, to apply to the specific Employee/beneficiary or class or category of Employees in compliance with provisions under Applicable Laws. Each of such sets of special terms and conditions shall be restricted in its application to those specific Employee/beneficiary or class or category of such Employees.
- b) Any amendment, variation or modification under the Scheme shall not be prejudicial to the interest of the Employees of the Company.

19. Term of the Scheme

- a) Except as provided elsewhere specifically, the Scheme shall continue in effect unless terminated by the Board or the Committee or until all Options available to be granted under the Scheme are fully exercised.
- b) Any such termination of the Scheme shall not affect Options already granted and such Options shall remain in full force and effect as if the Scheme had not been terminated unless mutually agreed otherwise between the Employee/ beneficiary and the Committee/ the Company.

21. Forbidden to Exercise by any Law

- a) If the Exercise of Options within the Exercise Period is prevented by any law or regulation in force and the Employee is forbidden to exercise the Options under such law or regulation, then in such an event the Company shall not be liable to compensate the Employee in any manner.

22. Rights of the Employees

- a) The Employees shall have the right to Exercise the Options that have been Vested in them but not an obligation to Exercise the said Options.
- b) The Employees shall not have the right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of Option Granted to him, till Shares are issued and allotted on Exercise of Option.

23. Nomination of Beneficiary:

Each Grantee under the Scheme may nominate, from time to time, any Beneficiary or Beneficiaries to whom any benefit under the Scheme is to be delivered in case of his or her death before he receives all of such benefit. Each such nomination shall revoke all prior nominations by the same Grantee, shall be in a form prescribed by the Company and will be effective only when filed by the Grantee in writing with the Company during the Grantee's lifetime.

If the Grantee fails to make a nomination, the Shares shall Vest on his/her legal heirs in the event of his/her death

24. Duties/ Obligations of the Employees

- a) On Exercise of an Option, the Employee shall be required to pay full amount of the Exercise Price per Option in such manner as may be specified in this regard by the Committee.
- b) The Employee, on Exercising his right and choosing to Exercise Options shall have an obligation to Exercise such Options as the same shall be irrevocable and cannot be rescinded / modified by the Employee wholly or in part in any manner.
- c) An Employee who holds Shares pursuant to the Exercise of Options under this Scheme shall be bound by the articles of association of the Company (including the rights), without the need of obtaining any further consent, approval or signature of any shareholder.
- d) Subject to articles of association of the Company, the Committee shall have the right to cause the Employee who holds the Shares pursuant to this Scheme to sell their Shares in any trade sale or Liquidity Event of the Company and such shareholder shall be obliged to offer their Shares in such an event, provided that they receive the same price, as other shareholders of the same class. Nothing contained in this sub-Clause 24(d) shall apply after Listing.

25. Governing Law and Jurisdiction:

- a) This Scheme and all related documents thereunder shall be governed by and construed in accordance with the Articles of Association of the Company and all applicable laws, rules, and regulations and to such approvals by any government agencies as may be required in India.

- b) The Grant of Options under this Scheme shall entitle the Company to require the Employee to comply with such laws as may be necessary in the Company's opinion.
- c) This Scheme and the relationship between the Employees and Company hereto shall be governed by, and interpreted in accordance with, the laws of India without having regard to the conflict of laws provisions thereunder.
- d) The courts of Bengaluru, India shall have exclusive jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of this Scheme.
- e) Nothing in this clause will however limit the right of the Company to bring proceedings against any Option Grantee in connection with this Scheme:
 - i) in any other court of competent jurisdiction; or
 - ii) concurrently in more than one jurisdiction.

26. General

- a) 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 or any right which the Option Grantee may have and nothing in this Scheme shall be constructed 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.
- b) Neither the Scheme, nor the grant of Options under this Scheme shall confer upon any Option Grantee any right with respect to continuing the Option Grantee's relationship as an Employee with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate such relationship at any time, for any reason whatsoever.
- c) Listing: In case new issue of Shares is made under the Scheme, Shares so issued shall be Listed immediately in any stock exchange where the existing Shares are Listed.
- d) Foreign Exchange Laws: In case any Options are granted to any Employee being resident outside India, belonging to the Company or the Subsidiary Company or the Holding Company, working outside India, the applicable foreign exchange management provisions and rules or regulations made thereunder as amended and enacted from time to time shall be applicable and the Company has to comply with such requirements as prescribed from time to time in connection with Grant, Vest and Exercise of Options thereof.
- e) Unless otherwise intended, the Grant of an Option does not form part of the Option Grantee's entitlement to compensation or benefits pursuant to his contract of employment or service nor does the existence of a contract of employment or service between any person and the Company give such person any right or entitlement to have an Option granted to him in respect of any number of Shares or any expectation that an Option might be granted to him whether subject to any condition or at all.
- f) The rights granted to an Option Grantee upon the grant of an Option shall not afford the Option Grantee any rights or additional rights to compensation or damages in consequence of the loss or termination of his office or employment or service contract, as applicable, with the Company for any reason whatsoever (whether or not such termination is ultimately held to be wrongful or unfair).

- g) Participation in the Scheme shall not be construed as any guarantee of return on equity investment. Any loss due to fluctuations in the market price of the Shares and the risks associated with the investments are that of the Option Grantee alone.
- h) The Company shall follow the laws/ regulations applicable to accounting and disclosure related to Options, including but not limited to the IND AS/Guidance Note on Accounting for Share-based Payments and / or any relevant Accounting Standards as may be prescribed by the Institute of Chartered Accountants of India ('ICAI') from time to time, including the disclosure requirements prescribed therein.
- i) Where the existing Guidance Note or Accounting Standard do not prescribe accounting treatment or disclosure requirements for the Scheme then the Company shall comply with the relevant Accounting Standard as may be prescribed by the ICAI or any other appropriate authority from time to time.

27. Severability

In the event any one or more of the provisions contained in this Scheme shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Scheme, but this Scheme shall be construed as if such invalid, illegal or unenforceable provision had never been set forth herein, and the Scheme shall be carried out as nearly as possible according to its original terms and intent.

28. Confidentiality

Notwithstanding anything contained in this Scheme, the Employee shall not divulge the details of the Scheme and/or his holdings to any person except with the prior written permission of the Committee unless so required to do under the Applicable laws or any statutes or regulations applicable to such Employee.

-----End of Scheme-----

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SCHEDULE A
CAPILLARY EMPLOYEES STOCK OPTION SCHEME - 2021
GRANT LETTER

Date:

To: [Name]
[Designation]
[Address]

Dear Sir/ Madam

1. We are pleased to inform you that you have been nominated by the Board of Directors of Capillary Technologies India Private Limited (the “**Company**”) to participate in the Capillary Employees Stock Option Scheme – 2021 (the “**Scheme**”). Terms used in this letter shall have the same meaning as defined in the Scheme.
2. Words and expressions used and not defined here but defined in the Scheme, shall have the meanings respectively assigned to them in the Scheme, as the context requires.
3. Accordingly, an offer is hereby made to grant you <<>> Options (“**Option**”) to acquire <<>> Shares at the price of INR <<>> for each Share (“**Exercise Price**”) subject to the terms of the Scheme.
4. The following are the terms of the Scheme:
 - a) The Options granted shall Vest from the Vesting Date in the manner provided below:

Vesting Details	Details of Options vested
Upon completion of <<>> year	<<>>% of the Options granted
Upon completion of <<>> years	<<>>% of the Options granted
Upon completion of <<>> years	<<>>% of the Options granted
Upon completion of <<>> years	<<>>% of the Options granted

- b) Subject to the terms of the Scheme, the Vesting Conditions, or any other conditions to be attached to the Exercise of the Option will be determined by the Committee at its absolute discretion.

- c) The Option is personal to you and may not be transferred, charged, assigned, pledged, or otherwise disposed of or encumbered in whole or in part, except with the prior approval of the Committee or as per the terms of the Scheme.
 - d) The Options granted under the Scheme shall be exercised in the manner set out in the Scheme and upon the occurrence of a Liquidity Event, unless otherwise determined by the Committee.
5. Withholding taxes:
- (a) Scenario 1: You are required, as a condition to receive and exercise of this Option to satisfy any legally applicable withholding requirements, including income tax, as may apply in relation to the Option; or,
 - (b) Scenario 2: The Company will bear the withholding taxes applicable on the Exercise of this Option.
6. Subject to the terms of the Scheme, the Committee may make a fair and reasonable adjustment in case of corporate actions such as merger, sale of division, stock split/ consolidation, rights issues, bonus issues and others, and in this regard, the Committee may adjust the number and price of Options or the conversion ratio of Options to shares i.e. the number of shares eligible for each Option in a manner such that the total value to you remains the same
7. The Grant of an Option may be accepted by you within 30 (thirty) business days from the date of Grant of the Option by returning the signed acceptance in the form set out in Schedule B of the Scheme. If such acceptance is not received within 30 (thirty) business days, such options shall be deemed as accepted.

Yours faithfully

For and on behalf of

Capillary Technologies India Limited

Authorized Signatory

SCHEDULE B

CAPILLARY EMPLOYEES STOCK OPTION SCHEME- 2021

ACCEPTANCE FORM

To: The Board of Directors
Capillary Technologies India Limited (“**Company**”)
#360, bearing PID No.:101/360, 15th Cross Rd, Sector 4,
HSR Layout, Bengaluru – 560 102,
Karnataka, India

Words and expressions used and not defined here but defined in the Scheme, shall have the meanings respectively assigned to them in the Scheme, as the context requires.

Date of Grant of Option: _____

No. of Equity Shares in respect of which Option is offered: _____

Option Exercise Price per Equity Share: INR _____

Total amount payable on the Option: INR _____

I have read the grant letter dated <<>> (“**Offering Date**”) and the Capillary Employees Stock Option Scheme - 2021 (“**Scheme**”) and agree to be bound by the terms hereof and of the Scheme stated therein.

I confirm that grant of the Option will not result in the contravention of any Applicable Law or regulation in relation to the ownership of shares in the Company or Options to obtain such shares.

I hereby confirm my acceptance of the Option to subscribe for <<>> equity shares in the capital of Capillary Technologies Private Limited (“**Shares**”) at INR <<>> per Share (“**Exercise Price**”). I understand that I am not obliged to exercise the Option.

I confirm as at the date hereof:

- (a) I am competent to contract under applicable law, nor an undischarged bankrupt and have not entered into a composition with any of my creditors;
- (b) I have the capacity to enter into, execute and deliver this letter, to perform its obligations, and observe and abide by the terms of this letter and the Scheme; and

- (c) I satisfy the eligibility and any other requirements to participate in the Scheme as set out in the Scheme.

I hereby acknowledge that you have not made any representation or warranty or given me any expectation of employment or continued employment or other engagement in connection with the offer and that the terms of the grant letter and this confirmation form constitute the entire agreement between us relating to the offer. I agree to keep all information pertaining to the grant of the option to me confidential.

PLEASE PRINT IN BLOCK LETTERS

Name in full: _____

Designation: _____

Address: _____

Nationality: _____

Email: _____

Signature: _____

Date: _____

Notes:

- (1) The confirmation form must be forwarded to the Committee in an envelope marked “Private

and Confidential”.

SCHEDULE C
CAPILLARY EMPLOYEES STOCK OPTION SCHEME - 2021
EXERCISE NOTICE

To:

The Board of Directors
Capillary Technologies India Limited (“**Company**”)
#360, bearing PID No.:101/360, 15th Cross Rd, Sector 4,
HSR Layout, Bengaluru – 560 102,
Karnataka, India

Words and expressions used and not defined here but defined in the Scheme, shall have the meanings respectively assigned to them in the Scheme, as the context requires.

Total number of Equity Shares at INR <<>> per Equity Shares under an Option granted on (“**Offering Date**”): <<>>

Number of Equity Shares previously issued and allotted thereunder: <<>>

Outstanding balance of Equity Shares which may be issued and allotted thereunder: <<>>

Number of Equity Shares now to be subscribed: <<>>

Pursuant to your grant letter dated <<>> and my letter of acceptance dated <<>>, I hereby exercise the Option to subscribe for <<>> Equity Shares in Capillary Technologies India Private Limited (“**Company**”) at INR <<>> per Equity Share.

I hereby request the Company to allot and issue to me <<>> Equity Shares (“**Shares**”) in my name and to deliver the share certificates relating thereto to me.

I enclose a [cheque/cashier’s order/bank draft/NEFT details] for INR <<>> in payment for the subscription of the Shares.

- a. I agree to subscribe for the Shares subject to the terms of the Grant Letter, the Capillary Employees Stock Option Scheme – 2021 (as the same may be amended pursuant to the terms thereof from time to time) and the memorandum and articles of association of the Company.
- b. I declare that I am subscribing for the Shares for myself and not as a nominee for any other person.

PLEASE PRINT IN BLOCK LETTERS

Name in full: _____

Designation: _____

Address: _____

Nationality: _____

Email: _____

Signature: _____

Date: _____

APPENDIX A
TO
CAPILLARY TECHNOLOGIES INDIA LIMITED
CAPILLARY EMPLOYEES STOCK OPTION SCHEME – 2021

TERMS AND CONDITIONS APPLICABLE TO UNITED STATES PERSONS

The Board of Directors of Capillary Technologies India Limited hereby adopts this Appendix A to the Capillary Employees Stock Option Scheme - 2021 (the “**Scheme**”), effective as of on November 30, 2021 (the “**U.S. Appendix Adoption Date**”), pursuant to Section 19(a)(ii) of the Scheme. The rules set forth in this Appendix (the “**U.S. Rules**”) shall apply to Options granted under the Scheme to eligible Employees and eligible who are residents of the United States of America or otherwise subject to income taxation by the United States of America (each a “**U.S. Person**”). If there is a conflict, whether express or implied, between the Scheme and these U.S. Rules as applicable to U.S. Persons, the U.S. Rules shall prevail.

1. DEFINITIONS

Any capitalized terms that are not defined herein will have the meanings given to them in the Scheme.

“**Capital Structure Change**” means a corporate action described in Section 4(e) or Section 6(b)(x) of the Scheme or any change in the Shares effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, share dividend, share split, reverse share split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the shareholders of the Company in a form other than Shares (excepting regular, periodic cash dividends) that has a material effect on the Fair Market Value of shares of Shares.

“**Disability**” means a permanent and total disability within the meaning of Section 22(e)(3) of the U.S. Code.

“**Eligible U.S. Person**” means a U.S. Person who meets the requirements of Section 2 below.

“**Fair Market Value**” means, with respect to a Share as of any date:

- (i) if the Shares are then listed on a securities exchange, (A) the closing sale price of a Share, (B) the average of the high and low sales prices of a Share or (C) the volume weighted average trading price per Share during the five (5) trading days immediately preceding such date; provided that with respect to the establishment of an Option Exercise Price to be established in accordance with clause (C), the method of determining the Fair Market Value shall be irrevocably established by the Board prior to the beginning of the averaging period; or
- (ii) if the Shares are not then listed on a securities exchange, the fair market value of a Share as determined by the Board in good faith, and in a manner consistent with the requirements of Section 409A or Section 422 of the U.S. Code, as applicable.

“**Incentive Stock Option**” means an Option granted to an Eligible U.S. Person who is a U.S. Employee and that is intended to be (as set forth in the applicable Grant Letter) and which qualifies as an “incentive stock option” within the meaning of Section 422 of the U.S. Code.

“Nonqualified Stock Option” means an Option that is not an Incentive Stock Option.

“Rule 701” means Rule 701 promulgated pursuant to the Securities Act.

“Section 409A” means Section 409A of the U.S. Code.

“Securities Act” means the United States Securities Act of 1933, as amended.

“U.S. Code” means the United States Internal Revenue Code of 1986, as amended, and any applicable regulations and administrative guidelines thereunder.

“U.S. Consultant” means a U.S. Person who is a consultant of, or advisor to, a Capillary Group member who satisfies the requirements of Rule 701 with respect to such role.

“U.S. Employee” means a U.S. Person treated as an employee (including a member of the Board who is also treated as an employee) in the records of a Capillary Group member and, with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Section 422 of the U.S. Code; provided, however, that neither service as a member of the Board nor payment of a director’s fee is sufficient to constitute employment for purposes of these U.S. Rules.

“U.S. Option Grantee” means a U.S. Person who has become an Option Grantee.

2. RULES APPLICABLE TO ALL OPTIONS GRANTED TO U.S. PERSONS

2.1 Eligible U.S. Persons. No U.S. Person shall be granted an Option pursuant to the Scheme unless such person is, as of the date of grant of the Option, a U.S. Employee, U.S. Consultant or member of the Board of the Company or another Capillary Group member that is a majority-owned subsidiary of the Company or another Capillary Group member in a chain of majority-owned Capillary Group members beginning with the Company. No U.S. Consultant shall be eligible to become an Option Grantee unless such U.S. Consultant is a natural person providing *bona fide* services to one or more of the foregoing entities and such services are not (i) in connection with the offer or sale of securities in a capital-raising transaction or (ii) performed to directly or indirectly promote or maintain a market for the Company’s securities. No U.S. Person shall be eligible to be granted an Option prior to the date such person commences employment or other personal service relationship with a Capillary Group member.

2.2 Options May Pertain Solely to Ordinary Shares. Options granted to U.S. Persons may only pertain to ordinary shares in the capital of the Company. For the avoidance of doubt, Options may not be granted to U.S. Persons with respect to shares that do not qualify as “common stock” within the meaning of Section 409A.

2.3 Grant of Options. The Board may grant to an Eligible U.S. Person one or more Options which qualify as Incentive Stock Options or Options which do not qualify as Incentive Stock Options, which shall be Nonqualified Stock Options. Incentive Stock Options may only be granted to Eligible U.S. Persons who are U.S. Employees and in accordance with Section 3.4 below. Nonqualified Stock Options may be granted to any Eligible U.S. Person. Unless Options granted pursuant to the Scheme are specifically designated as Incentive Stock Options at the time of grant, they will be Nonqualified Stock Options. Any Option designated as an Incentive Stock Option that nevertheless fails to satisfy any of the requirements of Section 422 of the U.S. Code or the applicable regulations thereunder shall be treated as a Nonqualified Stock Option.

2.4 Exercise Prices of Options.- No Option granted to an Eligible U.S. Person shall have an Exercise Price that is less than 100% of the fair market value of the Shares as on the date of Grant of Options.

2.5 Payment of Exercise Price. Payment of the exercise price for the number of Shares being purchased pursuant to any Option held by a U.S. Option Grantee may be made in any form permitted under the Scheme; provided, however, that the exercise of an Incentive Stock Option by any means that does not require payment in cash or cash equivalent shall be treated for all purposes as the exercise of a Nonqualified Stock Option.

2.6 Compliance with U.S. Securities Law. The grant of Options to Eligible U.S. Persons and the issuance of Shares pursuant to any Options held by a U.S. Option Grantee shall be subject to compliance with all applicable requirements of United States federal and state law with respect to such securities and the requirements of any stock exchange or market system upon which the Shares may then be listed. In addition, no Option held by a U.S. Option Grantee may be exercised or Shares issued pursuant to Options held by a U.S. Option Grantee unless (i) a registration statement under the Securities Act shall at the time of such exercise or issuance be in effect with respect to the Shares issuable pursuant to the Options or (ii) in the opinion of legal counsel to the Company, the Shares issuable pursuant to the Options may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. Except as otherwise determined by the Board, the Company intends that securities issued to U.S. Persons pursuant to the Scheme shall be exempt from requirements of registration under the Securities Act and qualification of such securities pursuant the exemptions afforded by Rule 701, and the Scheme and these U.S. Rules shall be so construed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any Shares hereunder to any U.S. Person shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained. As a condition to issuance of any Shares, the Company may require a U.S. Option Grantee to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

2.7 Tax Withholding.

(a) **In General.** At the time that Options are granted, Options are exercised, or at any time thereafter as requested by a Capillary Group member, the U.S. Option Grantee hereby authorizes withholding from payroll or any other payment of any kind due to the U.S. Option Grantee and otherwise agrees to make adequate provision by means of any **method** authorized by the Scheme or the Company for United States federal, state and local taxes and any other taxes or social insurance contributions required by law to be withheld, if any, which arise in connection with such Options. The Company has no obligation to deliver Shares until the tax withholding obligations of the Company Group have been satisfied by the U.S. Option Grantee.

(b) **Withholding in or Directed Sale of Shares.** The Company will have the right, but not the obligation, to deduct from the Shares issuable to a U.S. Option Grantee upon the exercise of Options a number of whole Shares having a Fair Market Value, as determined by the Company, equal to all or any part of the tax withholding obligations of any Capillary Group member. The Fair Market Value of any Shares

withheld to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates. The Company may require a U.S. Option Grantee to direct a broker, upon the exercise of Options, to sell a portion of the Shares subject to the Options determined by the Company in its discretion to be sufficient to cover the tax withholding obligations of any Capillary Group member and to remit an amount equal to such tax withholding obligations to the Capillary Group member in cash.

2.8 Compliance with Section 409A. All Options granted to U.S. Option Grantees are intended to comply with, or otherwise be exempt from, Section 409A. All such Options shall be administered, interpreted, and construed in a manner consistent with Section 409A, as determined by the Company in good faith, to the extent necessary to avoid the imposition of additional taxes under Section 409A(a)(1)(B) of the U.S. Code. It is intended that any election, payment or benefit which is made or provided pursuant to or in connection with any Option that may result in deferred compensation within the meaning of Section 409A shall comply in all respects with the applicable requirements of Section 409A. Notwithstanding the foregoing, neither the Company nor the Board shall have any obligation to take any action to prevent the assessment of any tax or penalty on any Option Grantee under Section 409A, and neither the Company nor the Board will have any liability to any Option Grantee for such tax or penalty.

2.9 Electronic Delivery. By accepting an Option, the U.S. Option Grantee (a) consents to the electronic delivery of all information with respect to the Scheme and the Option, and any reports of the Company provided generally to the Company's shareholders; (b) acknowledges that the U.S. Option Grantee may receive from the Company a paper copy of any documents delivered electronically at no cost by contacting the Company by telephone or in writing; (c) further acknowledges that the U.S. Option Grantee may revoke his or her consent to the electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail; and (d) further acknowledges that the U.S. Option Grantee understands that he or she is not required to consent to electronic delivery of documents.

2.10 Provision of Information. The Company shall deliver to each U.S. Option Grantee such disclosures as are required in accordance with Rule 701.

2.11 Options Not Transferable. Subject to the limitations of Section 3.9 with respect to Incentive Stock Options, no Options granted to a U.S. Person shall be transferable other than by will, by the laws of descent and distribution, or, if and to the extent permitted under the terms of the Scheme or the Grant Letter, to a revocable trust or as permitted by Rule 701.

3. RULES APPLICABLE TO INCENTIVE STOCK OPTIONS

3.1 Shareholder Approval of U.S. Rules Applicable to Incentive Stock Options. These U.S. Rules applicable to Incentive Stock Options were initially adopted by the Board on the U.S. Appendix Adoption Date and were, or will be, approved by the shareholders of the Company no later than twelve (12) months after the U.S. Appendix Adoption Date. Any amendment to the ISO Share Limit set forth in Section 3.2 below or in the classes of U.S. Employees eligible to be granted Incentive Stock Options under the Scheme set forth in Section 3.4 below shall be approved by a majority of the outstanding shares of capital stock of the Company entitled to vote within a period beginning twelve (12) months before and ending twelve (12) months after the date on which any such amendment is adopted by the Board.

- 3.2 Maximum Number of Shares Issuable Pursuant to Incentive Stock Options.** Subject to proportionate adjustment in the event of a Capital Structure Change, the maximum aggregate number of Shares that may be issued under Scheme pursuant to the exercise of Incentive Stock Options shall not exceed 32,60,000 (Thirty Two Lakh Sixty thousand only) (the “ISO Share Limit”).
- 3.3 Limitation on Time of Grant of Incentive Stock Options.** No Incentive Stock Option shall be granted pursuant to the Scheme later than the 10th anniversary of the U.S. Appendix Adoption Date. However, any Incentive Stock Options granted within such 10-year period shall continue to be governed by these U.S. Rules notwithstanding the expiration of such period.
- 3.4 Eligible Persons.** An Incentive Stock Option may be granted only to a U.S. Employee who is an employee, within the meaning of Section 422 of the U.S. Code, of the Company or a corporation (other than the Company) in an unbroken chain of corporations beginning with the Company and ending with the corporation employing such U.S. Employee in which, at the time of the grant of such Option, each of the corporations other than the last corporation in the unbroken chain owns shares possessing 50% or more of the total combined voting power of all classes of the share capital in one of the other corporations in such chain.
- 3.5 Exercise Price.** The Exercise Price for each Incentive Stock Option shall be established in the discretion of the Board; provided, however, that (a) the Exercise Price shall not be less than 100% of the Fair Market Value of a Share on the date of grant of the Incentive Stock Option and (b) no Incentive Stock Option granted to a person who, at the date of grant, owns shares possessing more than 10% of the total combined voting power of all classes of voting securities of a Capillary Group member within the meaning of Section 422(b)(6) of the U.S. Code (a “Ten Percent Owner”) shall have an Exercise Price less than 110% of the Fair Market Value of a Share on the date of grant of the Incentive Stock Option.
- 3.6 Incentive Stock Option Fair Market Value Limitation.** To the extent that an Incentive Stock Option granted to a U.S. Employee (together with all Incentive Stock Options granted to the U.S. Employee under all Schemes of all Capillary Group members, including the Scheme) becomes exercisable for the first time during any calendar year for Shares having a Fair market Value greater than USD \$100,000, the portion of such Options which exceeds such amount will be treated as Nonqualified Stock Options. For purposes of this Section, Options designated as Incentive Stock Options are taken into account in the order in which they were granted, and the Fair Market Value of Shares is determined as of the date of grant of such Options. If a grant of Options is treated as an Incentive Stock Option in part and as a Nonqualified Stock Option in part by reason of the limitation set forth in this subsection, the U.S. Option Grantee may designate which portion of such Options the U.S. Option Grantee is exercising. In the absence of such designation, the U.S. Option Grantee shall be deemed to have exercised the Incentive Stock Option portion of the Options first.
- 3.7 Lapse of Incentive Stock Options.** No Incentive Stock Option shall be exercisable after the expiration of ten (10) years after the date of grant of such Option, provided that no Incentive Stock Option granted to a Ten Percent Owner shall be exercisable after the expiration of five (5) years after the date of grant of such Option.
- 3.8 Effect of Termination of Employment or Leave of Absence on Incentive Stock Option.** A U.S. Option Grantee’s exercise of an Option otherwise qualifying as an Incentive Stock Option shall be treated as the exercise of an Incentive Stock Option only if the U.S. Option Grantee is (except in the case of termination

of employment due to Disability or death), at all times during the period beginning with the date of grant of such Option and ending on the date three (3) months before the date of such exercise, an employee of a corporation described in Section 3.4 above or a corporation substituting or assuming an Option in a transaction to which Section 424(a) of the U.S. Code applies. In the case of termination of employment due to Disability, a period of one (1) year shall be substituted in place of the period of three (3) months, and in the case of termination of employment due to death, the foregoing employment requirement shall not apply (except as such Exercise Period is otherwise limited by the Scheme). A U.S. Option Grantee's employment shall not be deemed to have been interrupted or terminated if the U.S. Option Grantee takes any military leave, sick leave, or other bona fide leave of absence approved by a Capillary Group member. However, unless the U.S. Option Grantee's right to return to employment is guaranteed by statute or contract, if any such leave taken by a U.S. Option Grantee exceeds three (3) months, then on the one hundred eighty-first (181st) day following the commencement of such leave an Option held by the U.S. Option Grantee which remains outstanding shall be treated upon exercise as a Nonqualified Stock Option.

3.9 Incentive Stock Options Not Transferable. An Incentive Stock Option shall not be transferable by the U.S. Option Grantee otherwise than by will or the laws of descent and distribution, and during the lifetime of the U.S. Option Grantee shall be exercisable only by the U.S. Option Grantee.

3.10 Notification of Disqualifying Disposition. If the U.S. Option Grantee makes a disposition (as that term is defined in Section 424(c) of the U.S. Code) of any Shares acquired pursuant to Incentive Stock Options within two years following the date of grant of such Options or within one year after the Shares acquired upon the exercise of such Options are transferred to the U.S. Option Grantee, the U.S. Option Grantee must notify the Company of such disposition in writing within 30 days of the disposition.

SCHEDULE A
CAPILLARY EMPLOYEES STOCK OPTION SCHEME - 2021
GRANT LETTER

Date:

To: [Name]

[Designation]

[Address]

Dear Sir/ Madam

1. We are pleased to inform you that you have been nominated by the Board of Directors of Capillary Technologies India Limited (the “**Company**”) to participate in the Capillary Employees Stock Option Scheme – 2021 (the “**Scheme**”). Terms used in this letter shall have the same meaning as defined in the Scheme. As a resident of the United States of America or a person who is otherwise subject to income taxation by the United States of America, your participation in the Scheme is also subject to an Appendix to the Scheme providing Terms and Conditions Applicable to United States Persons), as enclosed (the “**US Rules**”).
2. Accordingly, an offer is hereby made to grant you <> Options (“**Option**”) to acquire <> Shares at the price of USD 0.0 for each Share (the “**Exercise Price**”)¹ subject to the terms of the Scheme and the US Rules.

IMPORTANT NOTE: The Exercise Price represents an amount the Company believes to be no less than the fair market value of a Share on the Grant Date, determined in good faith in compliance with the requirements of the US Internal Revenue Code (the “**US Code**”). However, there is no guarantee that the Internal Revenue Service will agree with the Company’s determination. A subsequent IRS determination that the Exercise Price is less than such fair market value could result in adverse tax consequences to you. By signing the Acceptance Form, you agree that the Company, its directors, officers and shareholders are not liable for any tax, penalty, interest or cost you incur as a result of such IRS determination. You are urged to consult your own tax advisor regarding the tax consequences of the Option.

3. The following are the terms of the Option:
 - e) For United States federal income tax purposes, the Option is intended to be an Incentive Stock Option within the meaning of Section 422(b) of the US Code. While the Option is intended to be Incentive Stock Options, the Company does not represent or warrant that the Options qualify as such. You should consult with your own tax advisor regarding the tax effects of the Option and the requirements necessary to obtain favourable income tax treatment under Section 422 of the US Code, including, but not limited to, holding period requirements. If the Option is exercised more than three (3) months after the date on which you cease to be an employee (other than by reason of your death or permanent and total disability as defined in Section 22(e)(3) of the US Code), the Option will be treated as a Nonqualified Stock Option and not as an Incentive Stock Option to the extent required by Section 422 of the US Code.

For United States federal income tax purposes, the Option will be s Nonqualified Stock Option and not an Incentive Stock Option within the meaning of Section 422 of the US Internal Revenue Code.

1

- f) The Options granted shall Vest from the Vesting Date in the manner provided below:

Vesting Details	Details of Options vested
March 31, 2023	<<<>>% of the Options granted
June 30, 2023	<<<>>% of the Options granted
September 30, 2023	<<<>>% of the Options granted
December 31, 2023	<<<>>% of the Options granted

- g) The Options granted shall vest with you, subject to your continued employment with the Company Group, in equal quarterly proportions over every quarter commencing March 31, 2023 and up to September 30, 2024.
- h) Unless earlier terminated in accordance with the provisions of the Scheme and the US Rules, the Option will expire and no longer be exercisable after the expiration of 10 years after the Grant Date of the Option.²
- i) Subject to the terms of the Scheme, the performance conditions, or any other conditions to be attached to the exercise of the Option will be determined by the Committee at its absolute discretion.
- j) The Option is personal to you and may not be transferred, charged, assigned, pledged, or otherwise disposed of or encumbered in whole or in part, except with the prior approval of the Committee or as per the terms of the Scheme.
- k) The Options shall have exercise expiration date which shall be the calendar year in which you become fully vested in the Stock Option.
4. You are required, as a condition to receipt and exercise of this Option to satisfy any legally applicable withholding requirements, including income tax, as may apply in relation to the Option.
5. The grant of an Option may be accepted by you within 30 (thirty) Business Days from the date of grant of the Option by returning the signed acceptance in the form set out in Schedule B of the Scheme. If such acceptance is not received within 30 (thirty) Business Days, such Options shall be deemed as accepted.

Yours faithfully

For and on behalf of

Capillary Technologies India Limited

Authorized Signatory

SCHEDULE B

CAPILLARY EMPLOYEES STOCK OPTION SCHEME- 2021

ACCEPTANCE FORM

To,
The Board of Directors
Capillary Technologies India Limited
#360, bearing PID No.:101/360, 15th Cross Rd, Sector 4,
HSR Layout, Bengaluru – 560 102,
Karnataka, India

Date of Grant of Option: _____

No. of Equity Shares in respect of which Option is offered: _____

Option Exercise Price per Equity Share: USD _____

Total Amount Payable on the Option: USD _____

US Tax Status of Option: [Incentive Stock Option] [Nonqualified Stock Option]

I have read the Grant Letter dated <<>> (the “**Offering Date**”) and agree to be bound by the terms hereof and of the Capillary Employees Stock Option Scheme - 2021 (the “**Scheme**”) and the Appendix to the Scheme providing Terms and Conditions Applicable to United States Persons (the “**US Rules**”) stated therein.

I confirm that grant of the Option will not result in the contravention of any Applicable Law or regulation in relation to the ownership of shares in the Company or Options to obtain such shares.

I hereby confirm my acceptance of the Option to subscribe for <<>> equity shares in the capital of Capillary Technologies India Limited (the “**Shares**”) at INR <<>> per Share (the “**Exercise Price**”). I understand that I am not obliged to exercise the Option.

I confirm as at the date hereof:

- (d) I am competent to contract under applicable law, nor an undischarged bankrupt and have not entered into a composition with any of my creditors;
- (e) I have the capacity to enter into, execute and deliver this letter, to perform its obligations, and observe and abide by the terms of this letter and the Scheme; and

- (f) I satisfy the eligibility and any other requirements to participate in the Scheme as set out in the Scheme.
- (g) I understand that the Option is subject to the US Rules.

I hereby acknowledge that you have not made any representation or warranty or given me any expectation of employment or continued employment or other engagement in connection with the Offer and that the terms of the Grant Letter and this Acceptance Form constitute the entire agreement between us relating to the offer. I agree to keep all information pertaining to the grant of the Option to me confidential.

PLEASE PRINT IN BLOCK LETTERS

Name in Full: _____

Designation: _____

Address: _____

Nationality: _____

Email: _____

Signature: _____

Date: _____

Notes:

- (2) The Acceptance Form must be forwarded to the Committee in an envelope marked “Private and Confidential”.

SCHEDULE C
CAPILLARY EMPLOYEES STOCK OPTION SCHEME - 2021
EXERCISE NOTICE

To:

The Board of Directors
Capillary Technologies India Limited
#360, bearing PID No.:101/360, 15th Cross Rd, Sector 4,
HSR Layout, Bengaluru – 560 102,
Karnataka, India

Total number of Equity Shares at INR <<>> per Equity Shares under an Option granted on (the “Offering Date”): <<>>

Number of Equity Shares previously issued and allotted thereunder: <<>>

Outstanding balance of Equity Shares which may be issued and allotted thereunder: <<>>

Number of Equity Shares now to be subscribed: <<>>

- c. Pursuant to your Grant Letter dated <<>> and my Letter of Acceptance dated <<>>, I hereby exercise the [Incentive Stock Option] [Nonqualified Stock Option] to subscribe for <<>> Equity Shares in Capillary Technologies India Limited (the “Company”) at INR <<>> per Equity Share.
- d. I hereby request the Company to allot and issue to me <<>> Equity Shares (“Shares”) in my name and to deliver the share certificates relating thereto to me.
- e. I enclose a [cheque/cashier’s order/bank draft/NEFT details] for INR <<>> in payment for the subscription of the Shares [and the required United States federal, state and local income and employment tax withholding in the amount of USD\$_____].
- f. I agree to subscribe for the Shares subject to the terms of the Grant Letter, the Capillary Employees Stock Option Scheme – 2021 and the US Rules (as the same may be amended pursuant to the terms thereof from time to time) and the Memorandum and Articles of Association of the Company.
- g. I declare that I am subscribing for the Shares for myself and not as a nominee for any other person.

PLEASE PRINT IN BLOCK LETTERS

Name in Full: _____

Designation: _____

Address: _____

Nationality: _____

Email: _____

Signature: _____

Date: _____

APPENDIX B
TO
CAPILLARY TECHNOLOGIES INDIA LIMITED
CAPILLARY EMPLOYEES STOCK OPTION SCHEME – 2021
TERMS AND CONDITIONS APPLICABLE TO U.S. EMPLOYEE STOCK UNITS

The Board of Directors of Capillary Technologies India Limited hereby adopts this Amended and Restated Appendix B to the Capillary Employees Stock Option Scheme - 2021 (the “Scheme”), effective as of 30th May, 2025 (the “Effective Date”), pursuant to Section 19(a)(ii) of the Scheme (the “Employee Stock Unit Plan” or “ESU Plan”). The ESU Plan shall apply to any Employee Stock Unit (“ESU”) granted (other than options mentioned in Appendix A) under the Scheme on and after the Effective Date to eligible Employees and eligible Directors who are tax residents of the United States of America or otherwise subject to income taxation by the United States of America (each a “U.S. Person” and, as used in this Appendix B, an “Employee”). Any ESU granted to a U.S. Person before the Effective Date shall be subject to the terms of this Appendix B as in effect at the time of the grant and the Grant Letter issued to the U.S. Person.

The rules of this Appendix B are to be read with the Scheme and these terms are in addition to those specified in the Scheme, wherever applicable. If there is a conflict, whether express or implied, between the Scheme and this Appendix B, as applicable to U.S. Persons, this Appendix B shall prevail.

It is clarified that the ESUs granted/to be granted to the Employees shall be issued in compliance with applicable provisions of the Companies Act, 2013 and other Applicable Laws, to the extent such provisions are applicable.

1. DEFINITIONS

Any capitalized terms that are not defined herein will have the meanings given to them in the Scheme.

“Committee” means Nomination and Remuneration Committee of the Board

“U.S. Code” means the United States Internal Revenue Code of 1986, as amended, and any applicable regulations and administrative guidelines thereunder.

“Employment Agreement” means a written agreement between the Company (or its Subsidiary) and an Employee, inter alia, evidencing the terms and conditions of such Employee’s service in the Company (or its Subsidiary). The Employment Agreement shall be subject to the terms and conditions of this ESU Plan and may contain such terms and conditions as may be decided by the Committee from time to time.

“Grant Letter” means the letter issued to an Employee granting ESUs and containing other specific terms and conditions applicable to such ESUs.

“Permanent Incapacitation” for the purpose of ESU Rules shall mean a “Disability” within the meaning of Section 409A(a)(2)(C) of the U.S. Code and Section 1.409A-3(i)(4) of the regulations.

“Employee Stock Unit” or “ESU” means an unfunded and unsecured promise to deliver a future payment of Shares with the value of each such ESU determined by reference to the fair market value of a Share, granted to an eligible Employee, subject to requirements of Vesting.

“Section 409A” means Section 409A of the U.S. Code.

“Settlement” means issuance of Shares by the Company to the Employee against ESUs, on completion of conditions under Clause 2.2 and 2.3 of this Appendix B.

“Specified Employee” is a key employee (as defined in section 416(i) of the U.S. Code without regard to paragraph (5) thereof) of a corporation any stock in which is publicly traded on an established securities market or otherwise.

“Termination of Service” means a cessation of the active provision of employment-related services by the Employee for the Company and its Subsidiaries for any reason, including but not by way of limitation, a termination by resignation, discharge, death, disability, or retirement, but excluding any such termination where there is a simultaneous reemployment by the Company or a Subsidiary and excluding any bona fide Company (or Subsidiary) approved leave of absence. As applicable to any ESUs that are subject to Section 409A, Termination of Service shall mean only a “separation from service” as provided in U.S. Treasury Regulation Section 1.409A-1(h).

“Vesting” means the process by which an Employee is eligible to receive Shares of the Company against the ESUs granted to him/her pursuant to the ESU Plan. The terms “Vests,” “Vested,” and “Unvested” shall be construed accordingly.

“Vesting Period” means the period during which the Vesting of the ESUs granted to the Employee pursuant to the ESU Plan takes place.

“Vesting Price” shall mean the Face Value of a Share on the date that the ESU is granted.

2. RULES APPLICABLE TO ESUs

2.1 ADMINISTRATION OF THIS ESU PLAN

The Board or Nomination and Remuneration Committee may modify the Scheme or the ESU Plan to administer, supervise, and formulate detailed terms and conditions of the ESU Plan as required.

2.2 VESTING

The Vesting conditions applicable to Employees shall be specified in the Grant Letter. Except as otherwise provided in this Section 2.2 or the applicable Grant Letter, Unvested ESUs shall be immediately forfeited upon a Termination of Service for any reason.

- b) In the event of Termination of Service due to Cause, all the ESUs granted to the Employee (whether Vested or not) prior to such termination, shall lapse and shall cease to have been granted to and/or Vested with the Employee.
- c) In the event of Permanent Incapacitation or death of the Employee while in employment with the Company or its Subsidiary, all Unvested ESUs previously granted to the Employee shall be immediately Vested.

Notwithstanding anything contained herein, no ESU shall Vest before 1 year from the date of grant. However, the minimum Vesting period of 1 year shall not apply in the case of Permanent Incapacity or death of the Employee.

For determining whether the Vesting conditions specified in a Grant Letter are satisfied, a period of leave shall not be included in determining the Vesting Period in the event the Employee is on a sabbatical. In all other events including approved earned leave and sick leave, the period of leave shall be included to calculate the Vesting Period unless otherwise determined by the Committee.

In the event of transfer of an ESU Grantee from the Company to a Subsidiary Company, the Unvested ESUs as of the date of transfer will continue to Vest as per the original schedule and be settled as per section 2.3 below, subject to compliance with Applicable Law.

To extent provided for in the applicable Grant Letter, in the event ESUs are granted by the Company under the ESU Plan in lieu of options held by a person under a similar Scheme in another company which may get merged/ amalgamated in the Company or Subsidiary Company or acquired by the

Company or Subsidiary Company, the period during which the options granted by the transferor company were held by him/her may be adjusted against the Vesting conditions specified in the Grant Letter, at the discretion of the Committee, and shall be so stated in the Grant Letter.

Subject to Clause (b) of section 2.2, the Committee does not have the right to accelerate the Vesting for the ESUs before the time or schedule as specified in this ESU Plan or the applicable Grant Letter, except as permitted under Section 409A(a)(3) of the U.S. Code.

2.3 SETTLEMENT OF ESU

The ESUs shall be settled on the date on which they Vest with the Employees and in no event later than a period of two and a half months from the end of the calendar year in which the Vesting occurs (Settlement Date). The date of settlement/ issuance of Shares shall be determined in terms of this paragraph solely by the Committee.

In the case of any Specified Employee and solely as required by applicable provisions of Section 409A of the U.S. Code, no Settlement of ESUs that occurs by reason of the Specified Employee's Termination of Service shall happen before the date which is 6 months after the date of the Termination of Service (or, if earlier, the date of death of the Employee).

The date of settlement/ issuance of Shares shall be determined in terms of this paragraph 2.3 solely by the Committee.

On the Settlement Date, the Employee shall receive one Share for every one Vested ESU; less any Shares withheld or sold to satisfy any tax obligations (refer paragraph 3 below).

The provisions relating to Exercise of options stated in Section 10 of the Scheme shall not be applicable to Employees to whom this Appendix B shall apply. However, on the Settlement Date, the Employee shall be required to pay the Vesting Price for each Share that is issued in settlement of an ESU. If the Employee fails to pay the Vesting Price for any such Share on the Settlement Date, the Employee shall not receive the Share and the corresponding ESU shall be immediately forfeited without consideration.

The Committee does not have the right to accelerate the settlement for the ESUs before the time or schedule as specified in this ESU Plan, except as permitted under Section 409A(a)(3) of the U.S. Code.

To the extent applicable, for the purposes of Section 21, 22, 23 of the Scheme, 'exercise' shall be construed as akin to the event of settlement under this section 2.3 of Appendix-B.

3. TAX LIABILITY

- c) The Employee acknowledges that, regardless of any action taken by the Company or Subsidiary Company, the ultimate liability for all the income-tax (including India tax, U.S. Federal, state, local and foreign tax), social insurance, payroll tax, fringe benefit tax or any payment on account of any other tax-related matter relating to the participation of the Employee in the ESU Plan and legally applicable to the Employee is and will remain the sole responsibility of the Employee and may exceed the amount of tax withheld by the Company.
- d) **Withholding Requirements:** The Company or Subsidiary Company which is the employer of U.S. Persons shall have the right to withhold or require the Employee to remit to the Company or Subsidiary Company an amount, as determined by the Company or Subsidiary Company in its sole discretion, sufficient to satisfy federal, state, local withholding tax or any tax, state disability insurance tax or any other employment tax requirements arising in connection with the settlement of the ESUs under this ESU Plan prior to delivery of any certificate(s) for Shares or amounts hereunder.
- e) **Withholding Arrangements:** Prior to any relevant taxable or tax withholding event, as applicable, the Employee agrees to make adequate arrangements satisfactory to the Company or Subsidiary Company to satisfy all the tax obligations. In this regard, the Employee authorizes the Company to satisfy the tax withholding obligations by one or a combination of the following methods:
 - a) Withholding from the Employee's wages payable by the Subsidiary Company/ Company;
 - b) Recovery of tax from the proceeds of sale of Shares acquired upon settlement of the ESUs, either through a voluntary sale or through a mandatory sale arranged by the Company (on Employee's behalf pursuant to this authorization without any further consent);
 - c)
 - d) Withholding shares issuable upon settlement of the ESUs, if permitted under Applicable Laws; or
 - e) Any other method determined by the Company which is in accordance with the Applicable Laws.

4. OTHER ASPECTS

The shareholders shall have the right to drag-along any or all the ESUs / Shares of the Grantees to enable any strategic sale or winding up or acquisition, in compliance with applicable law. In such a case, the Board or Committee shall prescribe the terms and conditions, including but not limited to

the number of Shares to be dragged-along, price per Share, the manner and mode of transfer of such Shares.

The Grantees shall take all necessary and desirable actions in connection with the drag-along, including executing agreements and instruments and taking other actions as may be reasonably necessary and prescribed by the Board or Committee.

If a Grantee fails for any reason to take any of the actions required to enable the Liquidity Event, he / she shall be deemed to have appointed any Company Director nominated by the Board as his / her attorney, on his/her behalf and in his / her name, with full power, to execute, complete and deliver any document or instrument or to take any other action, including to receive the proceeds of the sale and to give good quittance for the sale price in order to complete the said Liquidity Event. The Grantee shall confirm and ratify the acts of such Company Director acting as his attorney under this Sub-clause.

The Board/ Committee shall have the right to amend any part of this Appendix-B or the Scheme, prescribe terms and conditions and provide guidance to the implementation of the Scheme or the ESU Plan, as it thinks fit.

If Section 409A of the U.S. Code applies to this Employee Stock Unit Plan or any ESU granted hereunder, the conditions specified in Section 409A(a)(4) of the U.S. Code pertaining to elections shall be deemed to have been incorporated in this Appendix-B. Further, the ESUs shall not be settled earlier than the events specified in Section 409A(a)(2)(A) of the U.S. Code.

5. 409A DISCLAIMER

- a) This ESU Plan and all ESUs awarded hereunder are intended to comply with Section 409A of the U.S. Code or qualify for an exception therefrom, and shall be interpreted in accordance with such intent and shall incorporate the terms and conditions required by Section 409A of the U.S. Code.
- b) The Company reserves the right to unilaterally amend or modify this ESU Plan and/or ESUs granted hereunder to the extent required as the Company may deem necessary or appropriate to ensure that the award under this ESU Plan qualifies for exemption from or complies with the requirements of Section 409A of the U.S. Code. This may also include reduction in the benefits granted under the ESU Plan, if required. In such a case, the Company shall obtain the approval of shareholders by way of a special resolution in the general meeting.
- c) However, the Company makes no representation that this ESU Plan or any ESU granted hereunder complies with Section 409A of the U.S. Code or qualifies for any exemption under Section 409A of

the U.S. Code, and the Company makes no representation or other agreement that it will take any action to ensure compliance with or preclude the application of Section 409A of the U.S. Code to this ESU Plan or any ESU granted hereunder.

- d)** For the avoidance of doubts, it is hereby clarified that the Company or its Subsidiary Companies shall have no liability to the Employees or any other party, if the grant, Vesting or settlement of ESUs and issuance of Shares or any other transaction in this ESU Plan is not exempt from or compliant with the requirements of Section 409A of the U.S. Code.

SCHEDULE A
CAPILLARY U.S. EMPLOYEE STOCK UNIT
GRANT LETTER

Date:

To: [Name]
[Designation]
[Address]

Dear Sir/ Madam

11. We are pleased to inform you that you have been nominated by the Committee of Capillary Technologies India Limited (the “Company”) to participate in the Capillary ESU Plan (the “Plan”). Terms used in this letter shall have the same meaning as defined in the Plan.
12. Accordingly, an offer is hereby made to grant you <<>> Employee Stock Units (“ESUs”). ESUs shall be settled in Company stock . If any ESU is settled in Company stock, you will be required to pay INR.2/- for each Share (the “**Vesting Price**”) subject to the terms of the Plan.
13. The following are the terms of the ESUs:

- b) The ESUs shall Vest according to the schedule provided below:

Vesting Details	Details of ESUs Vested
March 31, 2023	<<>>% of the ESUs granted
June 30, 2023	<<>>% of the ESUs granted
September 30, 2023	<<>>% of the ESUs granted
December 31, 2023	<<>>% of the ESUs granted

- c) The ESUs granted shall Vest, subject to your continued employment with the Company Group until the applicable Vesting date, in equal yearly proportions.
- d) Subject to the terms of the Plan, the performance conditions, or any other conditions to be attached to the Vesting of the ESUs will be determined by the Committee at its absolute discretion.
- e) The ESUs granted shall be settled in the manner set out in the Plan in Appendix B. Vested ESUs shall be settled as soon as practicable after they Vest, but no later than March 15 of

the year after the year in which the ESUs Vest.

- f) To receive your Shares, you must maintain an Indian demat account as of the settlement date.
 - g) The ESUs are personal to you and may not be transferred, charged, assigned, pledged, or otherwise disposed of or encumbered in whole or in part, except with the prior approval of the Committee or as per the terms of the Plan.
- 14.** You are required, as a condition to receipt and Vesting of this ESU to satisfy any legally applicable withholding requirements, including income tax, as may apply in relation to the ESUs as specified in Appendix B.
- 15.** The grant of an ESU must be accepted by you within 30 (thirty) Business Days from the date of grant of the ESUs by returning the signed acceptance in the form set out in Schedule B of the Plan. If such acceptance is not received within 30 (thirty) Business Days, such ESUs shall lapse and become null, void and of no effect.
- 16.** Please read Appendix B of the Plan for full details of the ESUs.

Yours faithfully

For and on behalf of **Capillary Technologies India Limited**

Authorized Signatory

SCHEDULE B

CAPILLARY U.S. EMPLOYEES STOCK UNIT

ACCEPTANCE FORM

To,
The Board of Directors
Capillary Technologies India Limited
#360 bearing PID No 101, 360
15th Cross Rd, Sector 4, HSR Layout
Bengaluru 560 102, Karnataka, India

I have read the Grant Letter dated <<>> (the “**Offering Date**”) and agree to be bound by the terms hereof and of the Capillary Employee Stock Unit Plan (the “**Plan**”).

I confirm that grant of the ESUs will not result in the contravention of any Applicable Law or regulation in relation to the ownership of shares in the Company or ESUs to obtain such shares.

I hereby confirm my acceptance of the ESUs to subscribe for <<>> equity shares in the capital of Capillary Technologies India Limited (the “**Shares**”) at INR <<>> per Share (the “**Vesting Price**”).

I confirm as at the date hereof:

- c) I am competent to contract under applicable law, nor an undischarged bankrupt and have not entered into a composition with any of my creditors;
- d) I have the capacity to enter into, execute and deliver this letter, to perform its obligations, and observe and abide by the terms of this letter and the Plan; and
- e) I satisfy the eligibility and any other requirements to participate in the Plan as set out in the Plan.
- f) I understand that the ESUs are subject to the Plan and applicable U.S. law.

I hereby acknowledge that you have not made any representation or warranty or given me any expectation of employment or continued employment or other engagement in connection with the Offer and that the terms of the Grant Letter and this Acceptance Form constitute the entire agreement between us relating to the offer. I agree to keep all information pertaining to the grant of the ESUs to me confidential.

PLEASE PRINT IN BLOCK LETTERS

Name in Full: _____

Designation: _____

Address: _____

Nationality: _____

Email: _____

Signature: _____

Date: _____

Notes:

- 20. The Acceptance Form must be forwarded to the Committee in an envelope marked “Private and Confidential”**