



RAMCO SYSTEMS LIMITED

REGISTERED OFFICE: 47 PSK NAGAR, RAJAPALAYAM 626 108

CORPORATE OFFICE: 64 SARDAR PATEL ROAD, TARAMANI, CHENNAI 600 113

NOTICE

NOTICE is hereby given that an Extra Ordinary General Meeting of the Members of Ramco Systems Limited will be held on Friday the 24th December, 2004 at 10.00 a.m. at the Registered Office of the Company at 47, P.S.K Nagar, Rajapalayam 626108, to transact the following businesses:

SPECIAL BUSINESS

1. **To consider, and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution.**

RESOLVED THAT pursuant to the provisions of Section 81, 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) amendment(s) or re-enactment(s) thereof for the time being in force) and in accordance with the existing guidelines, rules and regulations of the Securities and Exchange Board of India ("SEBI") (including the SEBI (Substantial Acquisition of Shares and Takeovers Regulations, 1997) Reserve Bank of India, Government of India (including any statutory amendment(s) modification(s) and or re-enactment(s) thereof, for the time being in force) and enabling provisions in the Memorandum and Articles of Association of the Company and subject to such terms, conditions and modifications as may be considered appropriate and determined by the Board of Directors of the Company (hereinafter referred to as "the Board" which expression shall include any Committee thereof for the time being to which all or any of the powers hereby conferred on the Board by this resolution, may have been delegated) and subject also to such approvals, consents, permissions or sanctions (including any conditions thereof, or modifications to the terms contained therein), if any, of the appropriate authorities, as may be required and/or such terms and conditions, as may be prescribed while granting such consents and approvals and which may be agreed to by the Board, the Board of the Company do hereby offer and issue for cash on a preferential basis the following securities on such terms as may be deemed appropriate by the Board:

- a. Upto 6,11,449 Equity Shares at the rate of Rs.331 per share (face value per share Rs.10 and premium per share Rs.321) aggregating to Rs. 20,23,89,619 (Rupees Twenty Crores twenty three lakhs eighty nine thousand six hundred and nineteen only) to the following entities belonging to the Promoter Group of the Company (as defined under the SEBI guidelines, Rules and Regulations) viz.,

- | | | | |
|-------|---------------------------------|---|---|
| (i) | Madras Cements Ltd. | : | upto 3,85,349 equity shares aggregating to Rs. 12,75,50,519 |
| (ii) | Ramco Industries Ltd. | : | upto 60,000 equity shares aggregating to Rs. 1,98,60,000 |
| (iii) | Shri P.R.Ramasubrahmaneya Rajha | : | upto 15,100 equity shares aggregating to Rs. 49,98,100 |
| (iv) | Shri P.R.Venketrama Raja | : | upto 1,51,000 equity shares aggregating to Rs. 4,99,81,000 |

and

- b. Upto 2,49,571 Warrants convertible into 2,49,571 Equity Shares at the rate of Rs.331 per share (face value per share Rs.10 and premium per share Rs.321) aggregating to Rs.8,26,08,001 (Rupees Eight crores twenty six lakhs eight thousand and one only), being the price determined in accordance with the SEBI (Disclosure and Investor Protection) Guidelines, 2000 ("SEBI Guidelines") as in force on the date of this Notice, to M/s Halcyon Resources and Management Consulting Private Limited on such terms and conditions including conditions as to dividends, premium, conversion, etc., as the Board may, in its absolute discretion, deem fit and in accordance with the Articles of Association of the Company and the SEBI Guidelines as in force.

RESOLVED FURTHER THAT Rs.82,60,800.10 (Rupees eighty two lakhs sixty thousand and eight hundred and paise ten only) amounting to 10% of the total subscription price in respect of the Equity Shares that may be allotted upon conversion of the Warrants determined in accordance with the SEBI Guidelines, be paid up front on the date of the allotment of the Warrants.

RESOLVED FURTHER THAT the Warrant holder shall have the option of applying for and being allotted Equity Shares of the Company of face value of Rs.10 each by paying the balance subscription price after adjusting the upfront payment made on the date of allotment of the Warrants, at any time prior to the expiry of 18 months from the date of allotment of the Warrants.

RESOLVED FURTHER THAT to the extent permitted as per the existing provisions of law in this regard all/any Equity Shares and the equity shares resulting from the conversion of the Warrants to be allotted as an outcome of the above mentioned preferential allotments shall rank pari passu in all respects with the then existing Equity shares including dividend entitlement.

RESOLVED FURTHER THAT the Relevant Date in relation to the above mentioned Preferential Issue of Equity Shares/Warrants for the purpose of determining the issue price under the SEBI Guidelines shall be 24th November 2004.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue, allotment and utilization of the proceeds of the issue of the Equity Shares and Warrants and further to do all such acts, deeds, matters and things to finalize and execute all documents and writings as may be necessary, desirable or expedient as it may deem fit.

RESOLVED FURTHER THAT the Board is hereby authorized to accept such amendments, modifications, variations and alterations as the Government of India, SEBI, Reserve Bank of India, Financial Institutions, or Stock Exchanges may stipulate in that behalf.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the Equity Shares allotted under the Preferential Issue of Equity Shares and Warrants on one or more recognized Stock Exchanges, in India or abroad, where the Company's shares are listed, as per the terms and conditions of the Listing Agreement with the Stock Exchanges concerned, and in accordance with such other guidelines, rules and regulations as may be applicable with regard to such listing.

2. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution.

RESOLVED THAT pursuant to the provisions of Section 81, 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the regulations / guidelines, prescribed by SEBI or any other relevant authority, from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions, as may be required, the Board, which term shall be deemed to include any "Compensation Committee", or any "Sub Committee" thereof, constituted by the Board to exercise its powers, (including the powers conferred by this resolution) be and is hereby authorised, on behalf of the Company to grant from time to time in one or more tranches, options to apply for equity shares of the face value of Rs.10 each, of the Company to or for the benefit of the key senior level managerial personnel (including Independent Directors of the Company, Chief Executive Officers, Presidents and other senior key management personnel as may be determined by the Compensation Committee of the Company) under a Scheme titled "**EMPLOYEES STOCK OPTION SCHEME-2004**" (hereinafter referred to as "ESOS 2004") to be evolved in this regard, and consequently create, issue, offer, allocate and allot at any time and from time to time, equity shares not exceeding 9,00,000 equity shares of Rs. 10 each in terms of such options. The options and the consequential issue, offer, allocation and allotment of shares shall be at such price including at a discount, in such manner, during such period in one or more tranches and on such other terms and conditions as the Board may decide. The Board is further authorized to fix such price including at a discount, terms and conditions and criteria for grant of option, as the Board may deem fit, in respect of each tranche of options granted by the Board. The Board is further authorised to grant such options in the form of warrants with an option exercisable by the warrant holder to subscribe to equity shares / equity securities and / or bonds, debentures, preference shares or any other securities convertible into equity shares, (collectively referred to as equity-linked securities) at a price including at a discount, or grant such options in any other manner whatsoever, provided the total number of options granted in the aggregate, and the consequential creation, issue, offer, allocation and allotment, shall not exceed 9,00,000 equity shares of Rs.10 each.

RESOLVED FURTHER THAT to the extent permitted as per the existing provisions of law in this regard all/any equity shares resulting from the conversion of the Options to be allotted as an outcome of the above mentioned resolution shall, upon allotment, rank pari passu in all respects inter se as also with the then existing Equity shares including dividend entitlement.

RESOLVED FURTHER THAT to determine all other terms and conditions for the purpose of giving effect to any offer, issue or allotment of equity shares or securities or instruments representing the same, as described above, under ESOS 2004, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in this regard to such issue(s) or allotment(s) including to amend or modify any of the terms of such issue or allotment(s) without being required to seek any further consent or approval of the members.

RESOLVED FURTHER THAT with regard to ESOS 2004, the Board be and is hereby authorised to delegate all or any of its powers to any Sub Committee consisting of one or more Officers/Directors of the Company and such Sub Committee shall report periodically to the Board/Compensation Committee.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the shares allotted under Employees Stock Option Scheme on one or more recognised Stock Exchanges, in India or abroad, where the Company's shares are listed, as per the terms and conditions of the Listing Agreement with the Stock Exchanges concerned, and in accordance with such other guidelines, rules and regulations as may be applicable with regard to such listing.

3. To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution.

RESOLVED THAT the benefits of the ESOS 2004 contained in Resolution No.2 of this Notice be extended to key managerial personnel (including Independent Directors Chief Executive Officers, Presidents, and other senior key management personnel as may be determined by the Compensation Committee of the Company) of the subsidiary companies of the Company on the terms and conditions as may be decided by the Board of Directors of the Company or the Compensation Committee in accordance with Resolution No.2.

4. To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution.

RESOLVED THAT pursuant to the provisions of Section 81, 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the regulations / guidelines, prescribed by the Securities and Exchange Board of India (SEBI) or any other relevant authority, from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions, as may be required, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the 'Board'), which term shall be deemed to include any Committee including 'Compensation Committee' or any 'Sub Committee' thereof constituted by the Board to exercise its powers, (including the powers conferred by this resolution) to issue, offer, allocate and allot at any time and from time to time in one or more tranches, equity shares upto 1,00,000 equity shares of Rs.10/- each at such price, including at discount and on such terms and conditions as may be fixed by the Board, to or for the benefit of the key senior level managerial personnel (including Independent Directors of the Company, Chief Executive Officers, President and other senior key management personnel as may be determined by the Compensation Committee of the Company) under a Scheme titled "**EMPLOYEES STOCK PURCHASE SCHEME-2004**" (hereinafter referred to as the "ESPS 2004") to be evolved in this regard.

RESOLVED FURTHER THAT subject to the terms stated herein, the equity shares allotted pursuant to the aforesaid resolution shall in all respects rank pari passu inter-se as also with the then existing equity shares of the Company including dividend entitlement.

RESOLVED FURTHER THAT the Company shall conform to the accounting policies set out in Clause 19.2 of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 with subsequent amendments, if any.

RESOLVED FURTHER THAT to determine all other terms and conditions for the purpose of giving effect to any offer, issue or allotment of equity shares or securities or instruments representing the same, as described above, under ESPS 2004, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in this regard to such issue(s) or allotment(s) including to amend or modify any of the terms of such issue or allotment(s).

RESOLVED FURTHER THAT with regard to ESPS 2004, the Board be and is hereby authorised to delegate all or any of its powers to any Sub Committee consisting of one or more Officers/Directors of the Company and such Sub Committee shall report periodically to the Board/Compensation Committee.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the shares allotted under the Employees Stock Purchase Scheme on one or more recognised Stock Exchanges, in India or abroad, where the Company's shares are listed, as per the terms and conditions of the Listing Agreement with the Stock Exchanges concerned, and in accordance with such other guidelines, rules and regulations as may be applicable with regard to such listing.

5. To consider, and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution.

RESOLVED THAT the benefits of ESPS 2004 contained in Resolution No.4 of this Notice be extended to key managerial personnel (including Independent Directors, Presidents, Chief Executive Officers and other senior key management personnel as may be determined by the Compensation Committee) of the subsidiaries of the Company on the terms and conditions as may be decided by the Board of Directors of the Company or the Compensation Committee in accordance with Resolution No. 4.

By Order of the Board

P.R.RAMASUBRAHMANEYA RAJHA
CHAIRMAN

Place: Chennai
Date : 25th November, 2004

NOTES:

- 1 A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself/herself and the Proxy need not be a member of the Company. Proxy must be received at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- 2 The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is enclosed hereto.
- 3 Members are requested to notify immediately any change in their address to the Share Transfer Agent M/s.Cameo Corporate Services Limited, Subramanian Building, 1, Club House Road, Chennai 600 002 (Phone: 044-28460390 :: Fax No:044-28460129)

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

ITEM 1:

The Special Resolution for further issue of shares needs to be specific for preferential allotment as required under the SEBI (Disclosure and Investor Protection) Guidelines, 2000 ("SEBI Guidelines").

The Company, with the completion of the development of its Ramco VirtualWorks technology platform, has been offering varied software solutions based on this technology to its customers, which has resulted in a steady growth in the Company's customer base. With this transition, the Company is gearing-up to take Ramco VirtualWorks, its flagship solutions platform, to international markets in a big way and is putting in place a global strategy to sustain the momentum. Further, the Company also intends to strengthen its management by appointing key senior management personnel with an objective to achieve its business objectives.

There has been a steady growth in the Company's revenues in the previous financial quarters. To sustain and improve such growth, the Company will require working capital funds for marketing and promotion activities. The Company's equity base must also be strengthened in line with such growth. In light of the above, the Company requires infusion of fresh equity.

The Promoter group of the Company has in the past supported the various plans and activities of the Company and proposes to continue with such support for the Company. In line with this, the Company proposes a preferential allotment of equity shares to the Promoter group.

Further, the Company is engaging with several consultants who will advise the Company with respect to matters of strategic importance. M/s Halcyon Resources and Management Consulting Private Limited is one such consulting firm that will advise and assist the Company in its growth plans. In order to align the objectives of M/s Halcyon Resources and Management Consulting Private Limited with that of the Company, the Company proposes a preferential allotment of Warrants convertible into equity shares, to M/s Halcyon Resources and Management Consulting Private Limited.

The Board proposes to issue on preferential basis for cash consideration, in terms of SEBI Guidelines as in force on the date of this Notice:

- a) Upto 6,11,449 equity shares of face value of Rs.10 each at a price of Rs.331 per share collectively to the promoter group of the Company (as defined under the SEBI Guidelines, Rules and Regulations) and
- b) Upto 2,49,571 Warrants convertible into 2,49,571 equity shares of face value of Rs.10 each, at a price of Rs.331 per share to M/s Halcyon Resources and Management Consulting Private Limited,

on such terms and conditions including as to dividend, premium, conversion etc., as the Board may, in its absolute discretion, deem fit and in accordance with the Articles of the Company.

The equity shares proposed to be issued to the promoter group would be issued at a price of Rs.331 per equity share being the price determined as per the SEBI Guidelines for preferential allotment.

The Warrant holder shall pay at least Rs. 82,60,800.10, being 10% of the subscription price in respect of the Equity Shares that may be allotted upon conversion of the warrants determined in accordance with the SEBI Guidelines, on the date of allotment of Warrants. The Warrant holder has the option to apply for and be allotted Equity Shares of the Company of face value of Rs.10 each, by paying the balance subscription price after adjusting the upfront payment made on the date of allotment of Warrants at any time before the expiry of 18 months from the date of allotment of the Warrants. The Company reserves the right to forfeit the amount paid at the time of allotment as per clause 13.1.2.3 (c) of the SEBI Guidelines in case of failure by the warrant holder to apply for and be allotted Equity shares of the Company by paying the balance subscription price after adjusting the upfront payment made before the expiry of the specified period of 18 months.

The certificate from the Statutory Auditors, certifying that the issue of the Equity Shares and Warrants convertible into equity shares on the above terms is in accordance with the SEBI Guidelines as in force on the date of this Notice, will be placed before the Extra Ordinary General Meeting where this resolution pertaining to preferential allotment of securities is being considered.

We give below the disclosures, which are required to be given in the Explanatory Statement to the Notice of the Extra Ordinary General Meeting, in terms of Clause 13 of the SEBI Guidelines on preferential issues as in force on the date of this Notice.

OBJECTS OF THE ISSUE THROUGH PREFERENTIAL OFFER

- a) To infuse fresh equity.
- b) To raise funds for corporate actions viz., Capital Expenditure, augmenting working capital, replacing high cost debt and general corporate purposes.

INTENTION OF THE PROMOTERS/DIRECTORS TO SUBSCRIBE TO THIS OFFER

The proposed allottees of Equity shares who are part of the Promoters' group have indicated their intention to subscribe to the Equity Shares to the extent of Rs.20,23,89,619. The promoter group does not intend to subscribe to the Warrants convertible into equity shares.

SHAREHOLDING PATTERN BEFORE AND AFTER THE OFFER

The information on shareholding pattern before and after the offer is as follows:

Description	Current holding		Post issue holding- Stage I (After allotment of shares to Promoters under preferential issue)		Post issue holding- Stage II (After conversion of warrants into equity shares)	
	No. of shares	%	No. of shares	%	No. of shares	%
Promoter Group:						
a. Ramco Industries Limited	37,97,772	32.69	38,57,772	31.55	38,57,772	30.92
b. Madras Cements Limited	13,08,899	11.27	16,94,248	13.85	16,94,248	13.58
c. Shri P R Ramasubrahmaneya Rajha	2,75,445	2.37	2,90,545	2.38	2,90,545	2.33
d. Shri P R Venketrama Raja	3,59,025	3.09	5,10,025	4.17	5,10,025	4.09
e. Others	13,95,718	12.01	13,95,718	11.41	13,95,718	11.17
Sub-Total	71,36,859	61.43	77,48,308	63.36	77,48,308	62.09
Non - Promoter Group:						
a. Institutional Investors	3,91,195	3.37	3,91,195	3.20	3,91,195	3.13
b. Foreign Institutional Investors	6,30,821	5.43	6,30,821	5.16	6,30,821	5.06
c. Others	34,58,658	29.77	34,58,658	28.28	34,58,658	27.72
Sub Total	44,80,674	38.57	44,80,674	36.64	44,80,674	35.91
Fresh Issue of Warrants to:						
Halcyon Resources and Management Consulting Private Limited	-	-	-	-	2,49,571	2.00
Grand Total	1,16,17,533	100.00	1,22,28,982	100.00	1,24,78,553	100.00

Note:

- The above table has been prepared on the basis of the shareholding pattern as on 19th November 2004.
- Equity share capital under "Post Issue Stage I" includes paid up equity share capital as on 19th November 2004 plus equity shares allotted under preferential issue to the promoter group.
- Equity share capital under "Post Issue Stage II" includes paid up equity share capital as on 19th November 2004 plus equity shares allotted under preferential issue to the promoter group and assuming full conversion of Warrants into Equity Shares by M/s Halcyon Resources and Management Consulting Private Limited.
- It is assumed that holdings of all other classes, except that of the promoter group shall remain same.

CONSEQUENTIAL CHANGES IN THE VOTING RIGHTS

Voting rights will change in tandem with the shareholding pattern.

PROPOSED TIME WITHIN WHICH ALLOTMENT SHALL BE COMPLETE

The Board proposes to allot the Equity Shares/ Warrants convertible into equity shares within a period of 15 days from the date of passing of the resolution provided that where this allotment on preferential basis is pending on account of pendency of any approval of such allotment by any regulatory authority or the Central Government, the allotment shall be completed within 15 days from the date of such approval.

THE IDENTITY OF THE PROPOSED ALLOTTEES AND THE PERCENTAGE OF POST PREFERENTIAL ISSUE CAPITAL THAT MAY BE HELD BY THEM

As stated earlier it is proposed to:

- (a) issue and allot upto 6,11, 449 equity Shares at the rate of Rs.331 per share (face value per share Rs.10 and premium per share Rs.321) aggregating Rs.20,23,89,619 to the following entities belonging to the promoter group of the Company (as defined under the SEBI Guidelines, Rules and Regulations), viz.:
- (1) Madras Cements Limited: upto 3,85,349 equity shares aggregating to Rs. 12,75,50,519
 - (2) Ramco Industries Limited: upto 60,000 equity shares aggregating to Rs.1,98,60,000
 - (3) Shri P.R.Ramasubrahmaneya Rajha: upto 15,100 equity shares aggregating to Rs.49,98,100 and
 - (4) Shri P.R. Venketrama Raja: upto 1,51,000 equity shares aggregating to Rs.4,99,81,000
- (b) issue upto 2,49,571 Warrants convertible into 2,49,571 equity shares at the rate of Rs.331 per share (face value per share Rs.10 and premium per share Rs.321) aggregating to Rs.8,26,08,001 to M/s Halcyon Resources and Management Consulting Private Limited.

The shareholding of the promoter group upon completion of the proposed allotment of the Equity Shares would be upto 77,48,308 Equity shares constituting 63.36% of the share capital of the Company after considering all definite equity dilutions and under the assumption that holdings of all other classes, except that of the promoter group shall remain same.

The shareholding of M/s Halcyon Resources and Management Consulting Private Limited upon allotment of the equity shares resulting from the conversion of the of the Warrants would be upto 2,49,571 equity shares constituting 2% of the Share Capital of the Company after considering all definite equity dilutions and conversion of Warrants into equity shares and under the assumption that holdings of all other classes (including that of the promoter group), except that of the Warrant holder shall remain same.

Note: The Equity Shares and the Warrants with an option to apply for and be allotted equity shares on a preferential basis and the equity shares arising upon conversion of the Warrants shall be non tradable during the lock-in-period as per relevant SEBI guidelines.

Pursuant to the provisions of the Companies Act, 1956, approval of the members is sought by way of special resolution for the proposed Preferential Issue / offer of equity shares and Warrants with an option to apply for and be allotted equity shares and the Board of Directors recommends this resolution for approval by the members.

Shri P.R.Ramasubrahmaneya Rajha and Shri P.R.Venketrama Raja, the directors of the Company are deemed to be concerned or interested in the resolution to the extent of the number of equity shares being allotted to them.

Shri P.R.Ramasubrahmaneya Rajha, Shri P.R.Venketrama Raja, Shri S.S. Ramachandra Raja and Shri N.K. Shrikantan Raja, the directors of the Company are deemed to be concerned or interested in the resolution to the extent of the number of equity shares being allotted to the promoter group companies in which they are directly / indirectly interested.

ITEMS 2 and 3:

EMPLOYEES STOCK OPTION SCHEME 2004 (ESOS 2004)

The Company had earlier formulated two schemes for the benefit of the employees viz., Employees Stock Option Plan, 2000 (ESOP 2000) and Employees Stock Option Scheme, 2003 (ESOS 2003).

ESOP 2000

The shareholders of the Company in the Extra-ordinary General Meeting held on 28th August, 2000 had approved the Employee Stock Option Plan, 2000 (ESOP 2000) for grant of options to employees convertible into Equity shares aggregating to 1,60,000 Equity Shares of Rs.10 each, of which 1,26,150 options were offered to identified employees at an exercise price of Rs.254 per share (the market price on 12th April 2001 - the date of grant) with a vesting period of 1-3 years. The exercise period for all the options expired in October 2004. Out of the 1,26,150 options, only 11,750 options were exercised by employees. The balance options lapsed. The Company also re-issued 67,700 options to the employees on 1st January, 2004 at an exercise price of Rs.227 per share (as adjusted from the original price of Rs.254 for the Rights Exercise as per SEBI guidelines), with a vesting period of 1-3 years, and the first exercise period of the same will start on January 1, 2005 and end on June 30, 2005.

ESOS 2003

The shareholders of the Company in the Extra-ordinary General Meeting held on 9th April, 2003 approved the Employees Stock Option Scheme, 2003 (ESOS 2003) for grant of options to employees convertible into Equity shares aggregating to 5,00,000 Equity

shares of Rs.10 each at an exercise price of Rs. 284 per share (as adjusted for the Rights Exercise as per SEBI guidelines), of which 4,64,500 options were granted to the employees on 1st January, 2004 with a vesting period of 1-3 years, and the first exercise period of the same will start on January 1, 2005 and end on June 30, 2005.

PROPOSED ESOS 2004:

With the offering of Ramco VirtualWorks based solutions by the Company to its customers, the Company proposes to recruit, appoint and engage senior key managerial personnel who will be responsible for driving the strategy and growth of the Company. In order to attract the best personnel, it would be essential for the Company to offer attractive remuneration and in keeping with the market trend, also offer stock options to such personnel through stock option schemes. Accordingly the Company proposes to grant options to senior level key managerial personnel. The Company, in order to attract, motivate and retain the key employees in the Company now proposes to grant options by formulating an Employee Stock Option Scheme, 2004 (ESOS 2004) aggregating to 9,00,000 Equity shares to such key personnel.

The Scheme shall be formulated in accordance with the guidelines laid down under the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, with subsequent amendments thereto and such other laws, as may be applicable in this regard.

SEBI Guidelines on pricing:

The companies granting option to its employees pursuant to ESOS will have the freedom to determine the exercise price subject to conforming to the accounting policies specified in clause 13.1, which specifies that any option discount to the market price should be accounted for as deferred employee compensation and amortised over the vesting period. (Option discount means the excess of the market price of the share as on the date of grant of the option under ESOS over the exercise price of the option).

The information as required under Clause 6.2 of the SEBI (Employees Stock option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 with subsequent amendments thereto, are given below:

i) Total Number of options to be granted:

Options not exceeding 9,00,000 (or such other adjusted figure for any bonus, stock splits or consolidations or other re-organisation of the capital structure of the Company, as may be applicable from time to time) equity shares of Rs.10/- each in number can be granted under the ESOS 2004.

ii) Identification of classes of employees entitled to participate in the ESOS 2004:

The Scheme will be offered to all eligible employees of the Company and those of its subsidiaries belonging to the following Categories:

Independent Directors, CEO, President and other senior key management personnel as may be determined by the Compensation Committee of the Company.

The following are not eligible for ESOS 2004:

- Promoter or promoter group
- A director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Company.

iii) Requirements of vesting and period of vesting:

The continuation of employee in the service of the Company shall be the primary requirement of the vesting. The Compensation Committee shall formulate the other requirements of vesting which may inter alia include efficiency or productivity criteria. The grant of options shall be made as per the ESOS 2004 as framed by the Compensation Committee. The minimum vesting period of an option under the Scheme shall not be less than a period of 12 months from the date of grant(s) of options and maximum vesting period shall not exceed five (5) years from date of grant or such period as may be determined by the Compensation Committee. The share option may vest in tranches subject to the terms and conditions as may be stipulated by the Compensation Committee.

iv) Exercise price or pricing formula:

As per SEBI (Employees Stock option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, the companies granting option to its employees pursuant to ESOS will have the freedom to determine the exercise price subject to conforming to the accounting policies specified in clause 13.1, which specifies that any option discount to the market price should be accounted for as deferred employee compensation and amortised over the vesting period. (Option discount means the excess of the market price of the share as on the date of grant of the option under ESOS over the exercise price of the option).

Subject to the above clause, the Company has the freedom to price the options.

The exercise price in respect of each tranche of the options shall not be less than the face value of the equity shares (which shall be calculated in accordance with the applicable law and if applicable, adjusted from time to time for any bonus, stock splits or consolidations or other re-organisation of the capital structure of the Company) on the date of grant of option.

v) Exercise period and procedure for exercise:

The options granted under ESOS 2004 shall be exercisable at such times and under such conditions as may be determined by the Compensation Committee from time to time. The options shall become exercisable in part or whole, but within the overall exercise period permitted under the Scheme.

vi) The appraisal process for determining the eligibility of employees to the ESOS 2004:

The eligible employees from each of the categories will be determined by the Board or Compensation Committee. The Board or the Committee as the case may be, may prescribe different sets of criteria for each of the tranche of options/categories of the eligible employees with respect to the tranches, performance benchmark to be achieved, tenure of service etc., in respect of the Scheme.

vii) Maximum number of options to be issued per employees and in aggregate:

The maximum number of options granted to any one employee in a year will not be equal to or exceed 1% of the issued equity share capital of the Company (excluding outstanding warrants and conversions) at the time of granting the Option. As such, it is proposed that options not exceeding 9,00,000 equity shares of Rs. 10/- each in the aggregate can be granted under ESOS 2004.

viii) Accounting Policies:

The Company shall comply with the accounting policies specified in Schedule I referred in Clause 13.1 of the SEBI guidelines, in respect of the Shares issued under ESOS 2004.

ix) Method of Valuation:

The Company shall use one of the applicable methods (intrinsic value or fair value) to value its options.

x) In case the Company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on Earnings Per Share (EPS) of the Company shall also be disclosed in the Directors Report.

As per SEBI guidelines, a separate resolution is required to be passed as a special resolution by members of the Company, if the benefits of the ESOS as set out in the resolution No.2 of this Notice are to be extended to the employees of the Subsidiary / Holding Companies. Therefore, a separate resolution as set out in Resolution No. 3 is proposed to extend the benefits of ESOS 2004 to the identified employees of the Subsidiary Companies.

In case the options are made available to the Directors of the Company (other than promoter Directors) then such Directors may be deemed to be interested in this item of business.

Pursuant to the provisions of the Companies Act, 1956, approval of the members is sought by way of special resolution for the proposed ESOS 2004 and the Board of Directors recommends Resolutions No. 2 and 3 for approval by the members.

ITEMS No. 4 and 5

EMPLOYEE STOCK PURCHASE SCHEME, 2004 (ESPS 2004)

The Company had earlier formulated two schemes for the benefit of the employees viz., Employees Stock Option Plan, 2000 (ESOP 2000) and Employees Stock Option Scheme, 2003 (ESOS 2003).

ESOP 2000

The shareholders of the Company in the Extra-ordinary General Meeting held on 28th August, 2000 had approved the Employee Stock Option Plan, 2000 (ESOP 2000) for grant of options to employees convertible into Equity shares aggregating to 1,60,000 Equity Shares of Rs.10 each, of which 1,26,150 options were offered to identified employees at an exercise price of Rs.254 per share (the market price on 12th April 2001 - the date of grant) with a vesting period of 1-3 years. The exercise period for all the options expired in October 2004. Out of the 1,26,150 options, only 11,750 options were exercised by employees. The balance options lapsed. The Company also re-issued 67,700 options to the employees on 1st January, 2004 at an exercise price of Rs.227 per share (as adjusted from the original price of Rs.254 for the Rights Exercise as per SEBI guidelines), with a vesting period of 1-3 years, and the first exercise period of the same will start on January 1, 2005 and end on June 30, 2005.

ESOS 2003

The shareholders of the Company in the Extra-ordinary General Meeting held on 9th April, 2003 approved the Employees Stock Option Scheme, 2003 (ESOS 2003) for grant of options to employees convertible into Equity shares aggregating to 5,00,000 Equity shares of Rs.10 each at an exercise price of Rs. 284 per share (as adjusted for the Rights Exercise as per SEBI guidelines), of which 4,64,500 options were granted to the employees on 1st January, 2004 with a vesting period of 1-3 years, and the first exercise period of the same will start on January 1, 2005 and end on June 30, 2005.

PROPOSED ESPS 2004:

With the offering of Ramco VirtualWorks based solutions by the Company to its customers the Company proposes to recruit, appoint and engage senior key managerial personnel who will be responsible for driving the strategy and growth of the Company. In order to attract the best personnel, it would be essential for the Company to offer attractive remuneration and in keeping with the market trend, also offer shares to such personnel through stock purchase schemes. Accordingly the Company proposes to issue shares to senior level key managerial personnel. The Company, in order to attract, motivate and retain the key employees in the Company now proposes to issue shares by formulating an Employee Stock Purchase Scheme, 2004 (ESPS 2004) aggregating to 1,00,000 Equity shares to such key personnel.

The Scheme shall be formulated in accordance with the guidelines laid down under the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, with subsequent amendments thereto and such other laws, as may be applicable in this regard.

The information as required under Clause 17.2 of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 is given below:

(A) Pricing:

The Company shall have the freedom to determine price of shares to be issued under ESPS 2004, provided they conform to the provisions of clause 19.2 of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 with respect to adoption of prescribed accounting policy. Clause 19.2 of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 specifies that any price discount to the market price should be accounted for as employee compensation. Price discount means the excess of the market price of the shares at the date of issue over the price at which they are issued under the ESPS 2004.

The Board (which term shall include any 'Compensation Committee' or Sub Committee thereof) shall determine the price at which shares shall be issued under ESPS 2004, on the date of issue of such shares.

(B) Number of shares to be offered to each employee:

The Scheme will be offered to all eligible employees of the Company belonging to the following categories:

Independent Directors, CEO, President and other senior key management personnel of the Company/subsidiary companies as may be determined by the Compensation Committee of the Company :1,00,000 Shares

(C) Appraisal process for determining the eligibility of the employees for ESPS 2004:

The eligible employees from each of the categories will be determined by the Board or Compensation Committee. The appraisal process includes evaluation of an eligible employee based on performance, tenure of service and such other criteria as may be determined by the Board or Compensation Committee. The Board or the Committee as the case may be, may prescribe different sets of criteria for each of the categories of the eligible employees with respect to the tranches, performance bench mark to be achieved, tenure of service etc., in respect of the ESPS 2004.

The following are not eligible for ESPS 2004:

- Promoter or promoter group;
- A director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Company.

(D) Total number of shares to be granted:

Shares not exceeding 1,00,000 equity shares of Rs.10/- each shall be granted under the ESPS 2004.

(E) Accounting policies:

The Company shall comply with the accounting policies specified in Schedule II referred in Clause 19.2 of Schedule II in respect of the Shares issued under ESPS 2004.

(F) Other terms:

- i) Lock in period :** Shares issued under ESPS 2004 shall be locked in for a minimum period of one year from the date of allotment.
- ii) Listing:** The Company is required to get in-principle approval for listing of shares.
- iii) Power to amend vary or modify ESPS 2004:** The Board or the Compensation Committee shall have powers to amend, vary, or modify any of the terms and conditions of ESPS 2004 including with respect to the issue of shares, pricing of shares, without being required to seek any further consent or approval of Members.

As per SEBI guidelines, a separate resolution is required to be passed as a special resolution by members of the Company, if the benefits of the ESPS as set out in the resolution No.4 of this Notice are to be extended to the employees of the Subsidiary / Holding Companies. Therefore, a separate resolution as set out in Resolution No. 5 is proposed to extend the benefits of ESPS 2004 to the identified employees of the Subsidiary Companies.

In case the Shares under ESPS 2004 are made available to the Directors of the Company (other than promoter Directors) then such Directors may be deemed to be interested in this item of business.

Pursuant to the provisions of the Companies Act, 1956, approval of the members is sought by way of special resolution for the proposed ESPS 2004 and the Board of Directors recommends Resolutions No. 4 and 5 for approval by the members.

By Order of the Board

Place: Chennai
Date : 25th November, 2004

P.R.RAMASUBRAHMANEYA RAJHA
CHAIRMAN



RAMCO SYSTEMS LIMITED

Registered Office: 47 P.S.K. NAGAR, RAJAPALAYAM 626 108

ADMISSION SLIP

Folio No. :

DP ID :

Client ID :

Name & Address of Member:

I certify that I am a registered Shareholder of the Company and hold.....Shares.

*Please indicate whether Member / Proxy.....

.....
*Member's / Proxy's Signature

NOTE: Shareholders / Proxy holders must bring the Admission Slip to the meeting and hand over the same at the entrance duly signed.



RAMCO SYSTEMS LIMITED

Registered Office: 47 P.S.K. NAGAR, RAJAPALAYAM 626 108

PROXY FORM

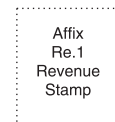
Folio No. :

DP ID :

Client ID:

I/We.....
of.....being a Member / Members of Ramco Systems
Limited hereby appoint.....ofor
failing him / her.....ofas my / our Proxy to attend and vote for
me / us on my / our behalf at the Extra-ordinary General Meeting of the Members of the Company to be held on Friday the 24th December 2004 at
10.00 a.m. at the Registered Office of the Company at 47 P.S.K. Nagar, Rajapalayam-626 108 and at any adjournment thereof.

Signed this.....day of2004.



Signature of the Member / Proxy

Note: The Proxy form must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a Member of the Company.