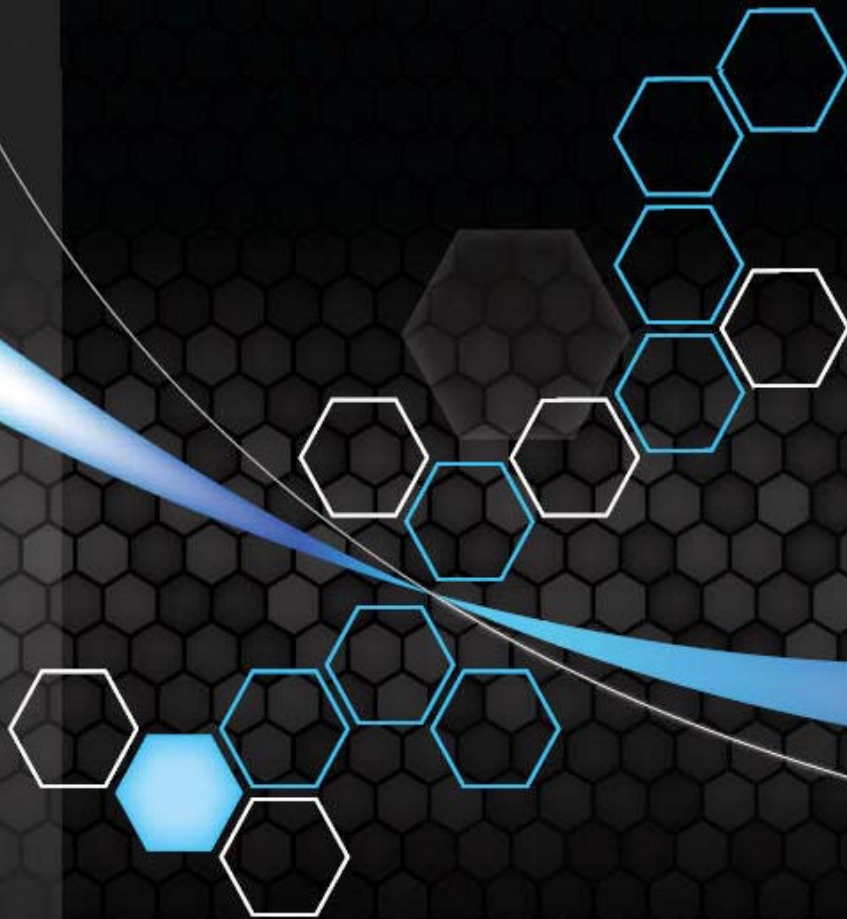


RAMCO SYSTEMS LIMITED



Employee Stock Option Scheme 2008

Scheme Document



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EMPLOYEE STOCK OPTION SCHEME, 2008 (ESOS 2008)

01. Purpose of the Scheme:

The scheme envisages extending options to the employees to acquire shares of Ramco Systems Limited, at a pre-determined price, as a way of employee compensation, in recognition of their contribution to the overall performance, making them owners of the Company, be virtue of such shareholding and as an incentive for higher performance levels.

02. Constitution, Role and Functions of ESOS Compensation Committee (ECC):

- a) The ECC is empowered to formulate detailed terms and conditions of the Scheme, administer and supervise the same. It shall be a Committee of the Board of Directors.
- b) The ECC shall meet as required for the purpose of administering the Scheme.
- c) The ECC shall select Employees to be offered Options.
- d) The ECC shall have powers to review the Scheme annually, or at other intervals as deemed necessary and recommend appropriate modifications in the terms and conditions of the Scheme, if any, to the Board of Directors. Changes would be recommended in cases such as:
 - the current Scheme does not fulfill the objectives set out for the scheme.
 - there are changes in legislation which need to be incorporated in the Scheme such modifications facilitate effective implementation or improvement of the Scheme.
 - such modifications are for the welfare of the Employees.
- e) The ECC shall ensure that the Scheme is implemented in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time.
- f) No member of the ECC shall be liable for any decision or action made in good faith with respect to the Scheme of the Company.
- g) The ECC is empowered to constitute a working committee to assist the ECC in the selection and appraisal of Employees for the participation in the Scheme and in the administration of the Scheme.

03. Administration of the Scheme:

Notwithstanding anything stated herein, but subject to the terms of the resolution passed by the Shareholders at the Extraordinary General Meeting of the Company held on 18th September, 2008, approving the issue of Shares to Employees of specific categories under an Employees Stock Option Scheme and the regulations prescribed by the Securities and Exchange Board of India, the ECC, in its

absolute discretion has been authorized to determine all the terms governing the Scheme including any variation thereof and including, but not limited to

- determining the Employees amongst the categories of Employees to whom the Options are to be granted;
- the time when the Options are to be granted;
- the quantum of Options to be granted at various points in time;
- the number of tranches in which the Options are to be granted;
- the criteria for determining the number of Options to be granted to Employees;
- the number of Options to be apportioned / allocated for various grades of Employees;
- the number of Options to be granted to each Employee;
- determination of Exercise Price, on the basis of the latest available closing price, prior to the date of the meeting of the ECC in which options are granted, of the Company's Share on the Stock Exchange on which the Shares of the Company are listed and traded with the highest volume on the said trading date;
- the terms and conditions subject to which the Options granted would vest in the Employee;
- the date of vesting of the Options granted;
- the terms and conditions subject to which the Options vested would be exercised by the Employee;
- the date within which the Options have to be exercised by the Employee;
- assignment of weightage to Company's performance, level / grade of Employee and such other criteria, for determining the grant of options including the quantum thereof;
- ECC may prescribe different set of criteria for each of the tranche of options / categories / the eligible employees, with respect to the tranches, performance benchmark, tenure of service, etc. in respect of the Scheme;
- the number of Options reserved, if any, for granting to new Employees who would join the services of the Company;
- deciding the treatment of unvested Options upon termination of employment or upon a Director ceasing to hold office or of options that have lapsed due to non-exercise by any Employee(s);
- deciding adjustments to Grant size and / or Exercise Price of Options in case of bonus issue or rights issue or Share split or Consolidation of Shares;
- obtaining permissions from and making periodic reports to regulatory authorities, as may be required and ensuring compliance with all guidelines applicable to the Scheme;
- framing suitable policies and systems to ensure that there is no violation of Securities and Exchange Board of India (Insider Trading) Regulations, 1992 and Securities Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, by any Employee;
- framing appropriate procedures for Granting, vesting and exercising of Options.
- The terms prescribed by the Compensation Committee shall be final and binding on all the Employees.

- The ECC may appoint a working Committee, consisting of one or more officers / directors of the Company, to assist the ECC in the administration of the Scheme.

04. Coverage of the Scheme:

- (i) The Scheme shall extend to all permanent employees on the rolls of the Company and its subsidiaries, as may be determined by the ESOS Compensation Committee (ECC).
- (ii) The Scheme shall extend to new recruits of the Company and its subsidiaries as may be determined by ECC from time to time.
- (iii) The Scheme shall not extend to any promoter or those belonging to the promoters group or to any director, who either by himself or through his relative(s) or through any body corporate, directly or indirectly, hold more than 10% of the outstanding equity shares.

05. Ceiling on aggregate number of options:

Options may be granted, from time to time, to such employees and in such numbers as may be decided by the ECC, subject to the stipulation that the aggregate Options so granted (including shares already allotted under the Scheme, but excluding any granted Options that are lapsed) shall not represent more than 12,00,000 shares at any given point of time. Where granted Options, vested or unvested, lapses due to any reason, the ECC may issue / re-issue Options to the eligible Employees as long as the aggregate number of Options (including shares already allotted under the Scheme, but excluding any granted Options that are lapsed) shall not represent more than 12,00,000 shares at any given point of time. The Options so issued / re-issued shall be covered by the terms and conditions of the Scheme.

06. Ceiling on number of options per employee:

No employee shall be granted options during any one year, equal to or exceeding 1% of the issued capital of the Company (excluding outstanding warrants and conversions) at the time of grant of such options, except with the specific approval of the members of the Company, accorded in a general body meeting.

07. Basis of grant of number of options to particular employees:

The ECC would determine the number of options to be granted to various employees, cadre-wise or on a case-by-case basis, based on broad parameters like past and current performance and potential of the individual and criticality of the position.

As the Scheme is meant to attract and retain talented / experienced persons at the Senior level, the criteria for eligibility, the number of options, vesting and exercise period, mode and frequency of exercise, etc.,

may be decided by the ECC, taking into account various aspects like qualification, experience, past performance levels, future performance indicators, etc., of the employee, within the overall broad parameters.

Decision of the ECC with regard to eligibility criteria, the number of options granted to particular employees, nature of vesting, exercise, etc., shall be final and it shall not be disputed.

08. Grant procedure:

The Employee identified for grant of stock option shall be intimated about the same, by means of a written communication. The communication will be issued by a person, authorized in this behalf, by the ECC. The communication would contain details including the number of Options granted to the Employee, the Grant Date and the Exercise Price. The communication will be accompanied by (i) an

Information Memorandum giving a broad picture about the performance of the company, including financial details, (ii) the salient features of the Scheme and (iii) an Application Form for exercising the option at the appropriate time.

09. Option Exercise Price:

Options granted to Employees under this Scheme shall be at a fixed Exercise Price, as decided by the ESOS Compensation Committee, based on the market price, as defined herein, of the equity shares of the Company.

10. Agreement:

An agreement shall be entered into by and between the Company, represented by its Company Secretary or any other person authorized for the purpose by the ECC, and the Employee participating in the Scheme, containing the mutual rights and obligations of either party under the Scheme. The ECC would draft a suitable agreement for the purpose.

11. Tranches of Grant:

The Options will be granted in 4 tranches, spread over a period of 4 years, or as may be decided by the ECC.

12. Options:

12.1 Vesting Period & Exercise Period:

- (a) Except as provided in Clause 14 herein, the continuation of the employee in the services of the Company / Subsidiary shall be primary requirement of the vesting.
- (b) The Options granted by the ECC shall vest over a period of 4 years in the following manner:

- (i) 30% of the options at the end of one year from the date of grant.
- (ii) 30% of the options at the end of the two years from the date of grant.
- (iii) 20% of the Options at the end of the three years from the date of grant.
- (iv) 20% of the Options at the end of four years from the date of grant.

The Options other than those vested in the first lot, shall vest on a quarterly basis. The options under the first lot shall vest at the end of one year from the date of grant.

- (c) Subject to the provisions of sub clause (e) herein below, at the end of each Vesting Period, the employee has a period of 10 years to exercise the Options covered under the said Vesting Period.
- (d) Options can be exercised in full in respect of the shares comprised in the each lot covered by such Options and not for part of any lot.
- (e) Options not exercised during any particular exercise period, can be carried forward to the subsequent exercise period(s), provided however that all the Options, have to be exercised within a period 10 years from the date of the vesting period in respect of the final lot, after which any unexercised options will lapse.

12.2 Exercising the Option:

- a) **Options convertible into shares only:** The Options issued to the Employees shall always be convertible into Shares, which would be issued either in physical form or electronic form, as required by the Option Grantee.
- b) **Share in Employee name only:** Except for the case arising under clause 14 herein, only the Employee may exercise the Options and apply for issue of shares in his own name. The Options shall not be transferable by the Employee to any third party.
- c) **Exercise Procedure:** The Employee shall exercise his Option(s) by submitting, during the Exercise Period, the "Exercise Application", in the format provided by the Company, along with a cheque / demand draft, favouring the Company, payable in Chennai, for the total money payable by him in respect of the Exercise Price, calculated as the number of Options exercised multiplied by the Exercise Price per Option. If the day of exercise happens to be a holiday as per the Company's rules then the same will be presumed to be exercised on the previous working day of the Company.

- d) **Employee on long leave:** In the event of long term leave of any Employee the Vested and Unvested Options held by the Employee shall be treated as follows:
- i) in case of leave upto a period of three months, the Options will continue to vest as well as be exercisable by the Employee.
 - ii) in case of leave for a period exceeding three months the vesting / exercise of Options will be through a duly constituted attorney of the Employee. In case the Employee does not name such constituted attorney, grant, vesting and exercise of the Option will be decided at the discretion of the ECC.

12.3. Effect of dissociation from the Company:

- a) In the event of an Option Grantee ceasing to be an Employee of the Company or its Subsidiary (as the case may be because of resignation or termination of employment (other than due to reasons of misconduct of the Employee), the unvested Options held by the Employee shall forthwith lapse.
- b) Where an Employee has dissociated from the Company or its Subsidiary (as the case may be) and in the opinion of the Company is engaged in activities which are materially detrimental to the business or interests of the Company, its subsidiaries or its Employees, all the vested and unvested Options held by the Employee shall be cancelled partly or in full as a disciplinary measure at the sole discretion of the Compensation Committee.
- c) In case of termination of service of the Employee for reason of misconduct, all options, Vested and unvested, shall lapse with immediate effect.
- d) Where an Employee resigns / or his employment is terminated other than for misconduct of the Employee, in case of Options vested but not Exercised, the Employee shall have to compulsorily exercise all the Options vested upto the completed quarter prior to such resignation / termination within a period of 90 days from the date of resignation / termination. In the event that the Options are not exercised within this period, the Options not so Exercised would lapse.
- e) In the event of death of an Employee, all Options vested till that date can be exercised by the nominees, or in case of there being no nominee, by the legal heirs of the deceased Employee, during the Exercise Period, as per the scheme. Options granted but not vested till such date shall vest in the nominees, or in case of there being no nominee, on the legal heirs of the deceased employee, at the end of the respective vesting period(s) and can be exercised during the relevant Exercise Period, as per the Scheme. All other terms and conditions of the Scheme shall apply to such Options.

- f) In the event of Permanent Disability of an Employee, all Options granted to him as on date of Permanent Disability would vest in him on that day. The Options would be exercisable at any time within the Exercise Period, as per the Scheme.
- g) In the event of severance of employment of an Employee as a part of reconstitution / amalgamation / sell-off or otherwise all Options granted to him would vest immediately and the Employee will have to exercise the Options within a period of 3 months from the date of severance. In the event that the Options are not exercised within this period, the Options would lapse.

However the Board of Directors/Committee of the board and/or delegates as may be authorized in whatsoever manner by the Board of by the Committee, as the case may be, may at their discretion, considering the employee welfare measures and other factors, approve increasing the period of 3 months stated above upto a maximum period of 18 months and accordingly, such employees will have to exercise the options within the extended period so determined from the date of severance.

- h) In the event of an Employee being transferred to a Subsidiary / from a subsidiary / within the subsidiaries, at the instance of or with the consent of the Company the Employee will continue to hold all Vested Options and can exercise them anytime within the exercise period. All Unvested Options shall vest as per the vesting schedule and can be exercised at any time within the Exercise Period.
- i) In the event of retirement of an Employee at the instance of or with consent of the Company, Employee will continue to hold all Vested Options and can exercise them anytime within the Exercise Period. All Unvested Options shall vest as per the Vesting Schedule and can be exercised at any time within the Exercise Period. This is applicable provided the Employee does not enter into competition / is employed by a competitor.
- j) In the event that the Company finds that such Employee has entered into competition/is employed by a competitor, the Compensation Committee may in its sole discretion cancel all Options, Vested or Unvested, not Exercised and held by the Employee.

12.4 Consequence of failure to exercise option:

The amount paid by the Employee, if any, at the time of Grant of Option:

- a) may be forfeited by the Company if the Option is not exercised by the Employee within the Exercise Period; or
- b) the amount may be refunded to the Employee if the Options are not vested due to non-fulfillment of any condition relating to vesting of Option as per the Scheme.

13. Shares:

13.1 Issue of Shares:

- a) Only the Employee to whom options have been granted under the Scheme can exercise the particular Options and apply for issue of Shares. The shares would be issued in his/her own name only.
- b) The Options issued to the Employees shall always be convertible into Shares.
- c) Each Option entitles the Option Grantee to apply for and be allotted one equity share, of the face value of Rs.10/- each.
- d) The shares shall be issued in physical form or in electronic form, as required by the Employee in writing.
- e) After the Options are converted into Shares pursuant to exercise of the Options, the Shares issued to the Employee shall be subject to the terms and conditions as mentioned below.

13.2 Ranking of Shares:

The Shares issued on the exercise of Options shall rank pari-passu with all the existing equity shares of the Company. The Shares issued on the exercise of Options shall be eligible for full year's dividend.

13.3 Listing of Shares:

The Shares issued on exercise of the Options shall be listed on all the stock exchanges where the Company's equity Shares are listed and will be subject to terms and conditions of the listing agreements with the stock exchanges in addition to the terms and conditions of the Scheme.

13.4 Buy-back:

The Shares issued pursuant to any exercise of Options, along with other Shares issued by the Company may, pursuant to applicable laws and procedures are subject to an approved scheme of buy-back by the Company.

13.5 Company's Lien:

The Option Grantee agrees that the Company shall, at all times, have the first lien on all such shares which forms the subject matter of this agreement, whether allotted consequent to exercise of original option granted or by way of bonus or rights issue, or in any other way resulting in grant of options, to recover any and all amounts, of any nature whatsoever, payable by the Option Grantee either to the Company (in discharge of any agreement with the Company) or to any statutory authority in discharge of any obligation with regard to the Scheme.

13.6 FEMA:

Where the Employee is or remains, at the time of the issue of Shares pursuant to the Scheme or at any time before the options are fully exercised, a Foreign Employee, the issue will be made according to applicable provisions of the Foreign Exchange Management Act, 1999 and the Rules made thereunder.

14. Benefits of Option holder:

a) **Change in par value of the share:** Where the Options have vested (but not exercised) or not vested, should any changes be made to the par value of the equity Share of the Company by reason of consolidation, sub-division, or conversion of Shares into Stock, appropriate adjustments shall be made either to the number of Options or the Exercise Price of Options granted, to reflect such change without in any way affecting the rights of the said Option Grantee, and also prevent a dilution or enlargement of benefits of Scheme.

b) **Bonus Issue:** Where the Options have vested (but not exercised) or not vested, should the equity share capital of the Company be increased by capitalization by bonus issue, appropriate adjustments shall be made either to the number of Options or the Exercise Price of Options granted, to reflect such change without in any way affecting the rights of the said Option Holder and also preventing any dilution or enlargement of benefits of the Scheme.

In the event of a bonus issue of shares during the Vesting Period, in relation to the Unvested Options only, the Option Holder would be entitled to apply for and be allotted proportionately higher number of Options, exercisable on the same terms as of the original Options except the Exercise Price. The per Option Exercise Price of aggregate of original Options and bonus

Options will be the aggregate Exercise Price of the number of Options eligible for Grant of bonus Options, divided by the aggregate number of original Options (eligible for bonus Options) and bonus Options. For the purpose of the Vesting Period and Exercise Period, the Bonus Options will be treated at par with the original Options on which the bonus Options have been issued.

As regards vested but unexercised Options, in the event of a bonus issue, the Employee would be entitled to immediately exercise the Options irrespective of the stipulation regarding exercise as detailed out in clause 12. In case the Employee does not exercise the vested Options 2 weeks before the record date fixed by the Board of Directors for determining Shareholders eligible for bonus Shares, the Employee would not be eligible for the above said bonus Options.

- c) **Rights Issue:** In the event of a rights issue of securities being made by the Company during the Vesting Period, adjustment, if any, to the Exercise Price and number of Options of the said Option Grantee would be decided by the ECC at its absolute discretion.
- d) **Effect of merger etc., of the company:** In the event of (1) a merger or amalgamation in which the Company is not the surviving entity or (2) a reverse merger in which the Company is the surviving entity but the Shares of the Company's un-issued Share capital immediately preceding the merger are converted by virtue of the merger in to other property, whether in the form of securities, cash or otherwise then to the extent permitted by the applicable law any surviving entity shall assume any Options outstanding under the Scheme or shall substitute similar Options for those outstanding under the Scheme. In the event any surviving entity refuses to assume or continue such Options or to substitute similar Options for those outstanding under the Scheme, then such Vested Options shall be terminated if not exercised prior to such event. In the event of a dissolution or liquidation of the Company, any vested Options outstanding under the Scheme shall be cancelled if not exercised prior to such event and no compensation shall be payable in respect of the Options so cancelled.

15. Obligations of an Option Grantee:

- a. **Confidentiality:** The Option Grantee / Option Holder shall not divulge the details of the Scheme and his holdings to any person except with the prior permission of the Company obtained in writing.
- b. **Insider Trading Regulations:** The Employee shall not utilize any unpublished information available at his disposal to indulge in insider trading as prohibited under the SEBI (Insider Trading) Regulations 1992 and shall give an undertaking to this effect in a form prescribed by the Company.

- c. Non-Transferability of Options:** The Options held by the Option Grantee / Holder are not transferable. The Option Grantee /Holder shall not pledge / hypothecate / charge / mortgage / assign or in any other manner alienate or dispose off the Options.

d. Tax Liability:

- (i) In the event of any tax liability, including any tax liability due to change in the tax laws relating to ESOS, arising on account of the issue of the Options / conversion into Shares / sale of Shares or any other event, to the Employee, such tax liability shall be that of the Employee alone.

However, in relation to the payment of the Fringe Benefit Tax on the exercise of stock options by the employees, the ESOS Compensation Committee would

- (ii) In the event of any tax liability, including any tax liability due to change in the tax laws relating to ESOS, the Company on the advise of the ECC shall have the right to call upon the Employees to pay.

16. General Risks:

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

17. Restrictions on the rights of Option Holders:

The Option Holders are not entitled to any rights which the Shareholders enjoy including voting rights and rights in the Company as to dividend prior to conversion of Options into Shares and ECC may also stipulate lock in period for the Shares issued pursuant to exercise of Options.

18. Appointment of Nominee:

The Employee may appoint in terms of the scheme, his spouse / parent(s) / child (ren) (in the case of minor child (ren) through a guardian) or any other person as nominee(s) for the purpose of exercising the rights subject to the obligations of the employee, in the event of death of the employee,. The Employee concerned shall appoint such nominee(s) as per the Form prescribed . The Employee has the right to revoke such nomination at any time and a fresh nomination may be made on such revocation. If the Employee does not have a spouse / parent(s) / child(ren) surviving, any other person may be nominated. The nominee specified as aforesaid shall alone be entitled to exercise the rights of the Employee concerned and the Company shall not be liable in relation to any rights and obligations amongst the legal heirs inter se of the Employee concerned. In the absence of nomination or in the event of death of the nominee before exercising the

options under the Scheme, the legal heirs of the Employee shall have the right to exercise the options as vested on the Employee on his death.

19. Government Regulations:

This Scheme shall be subject to all applicable laws, rules, regulations, notifications and to such approvals by any governmental agencies as may be required. The Grant of Options under the ESOS shall entitle the Company to require the participants in the Scheme to comply with such requirements of law, from time to time, as may be necessary in the opinion of the Company.

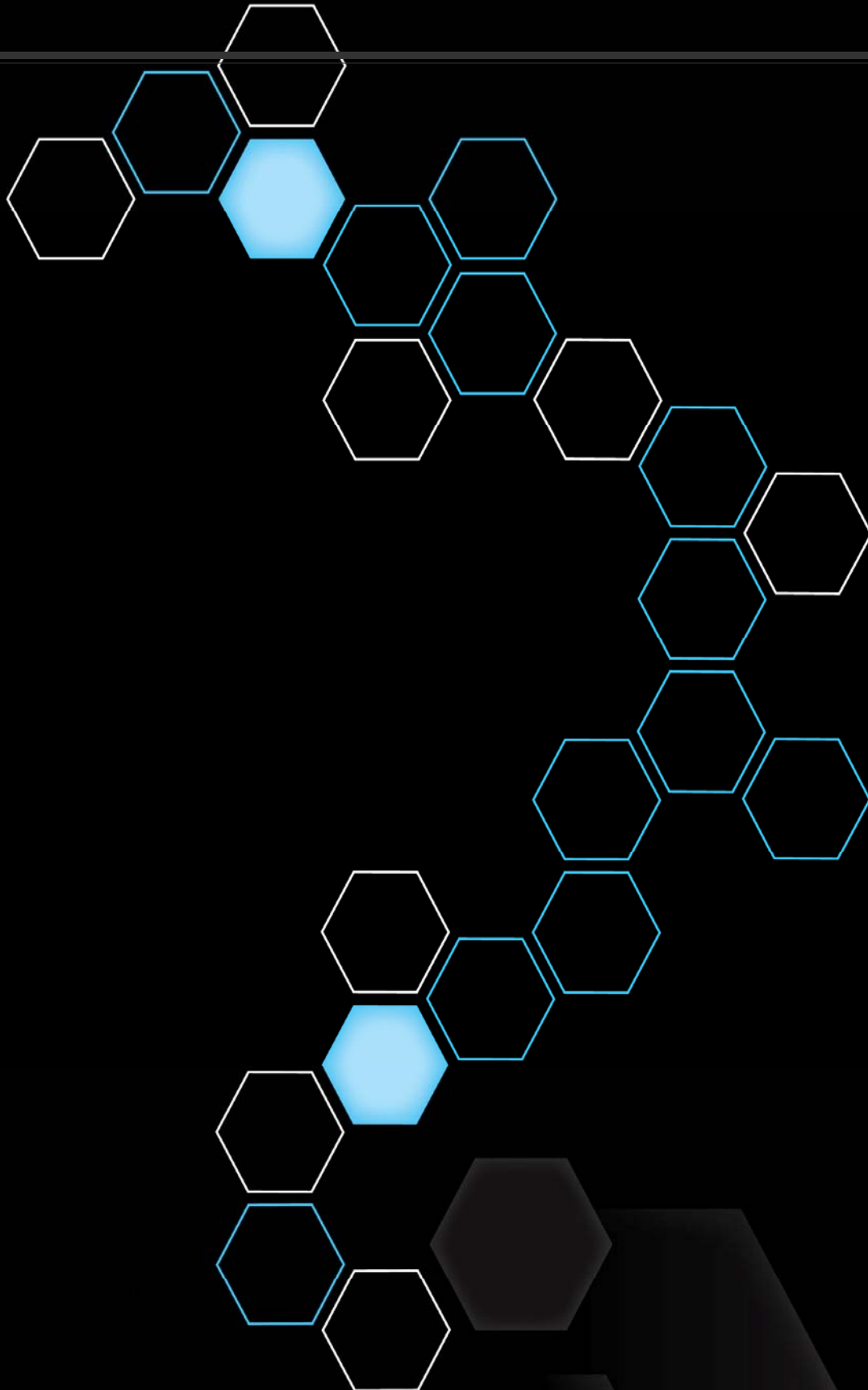
20. Changes in terms and conditions of the Scheme:

The Company or the ECC, as the case may be, may, at any time, in exercise of the powers vested by the members of the Company in the general meeting approving the introduction of the Scheme, at its discretion, change the terms and conditions of the Scheme in order to comply with the SEBI Guidelines or any other laws / enactments, or amendments thereto, that have a bearing on the Scheme. Such change however will not be to the detriment of the Option Grantee / Holder.

21. Interpretation:

In the event of a conflict between the terms and conditions of the Scheme and the terms and conditions of the Agreement entered into by the Company and the Employee as relating to the Scheme, the terms and conditions of the Scheme shall prevail. Any dispute, discrepancy or disagreement which shall arise under, or as a result of, or pursuant to, or in connection with the Scheme / agreement, shall be referred to the ECC and shall be determined by the ECC and any such determination / decision / interpretation by the ECC shall be binding on all persons affected thereby. Any dispute that may arise as relating to any clause in the Scheme and / or this agreement shall be subject to the exclusive jurisdiction of the courts in Chennai.

22. Period of the Scheme: The maximum period within which the options shall be vested is upon the completion of 5 (five) years from the date of Grant of Option and the Exercise Period shall expire not later than 10 (Ten) years from the date of final vesting. Within these outer limits, the Compensation Committee may fix such vesting period and exercise period, as it may deem fit.



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