

# *Annual Report* *2005*

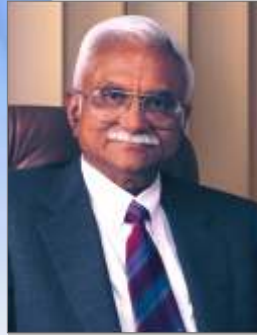
*“The secret of success is constancy of purpose”*  
*- Benjamin Disraeli*





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P. R. Ramasubrahmaneya Rajha



P. R. Venketrana Raja

Dear Shareholders,

We are happy to share with you the achievements of the financial year 2004-2005. The year has seen multiple successful implementations of mission critical solutions to global enterprises. These, we believe, will propel the organization to the next phase of growth.

Your company's focus on customer satisfaction resulted in our being adjudged as the No.1 Enterprise Applications provider in the recent Customer Satisfaction Audit 2005, conducted by DQ-IDC India. Our customers have been a great source of strength and endorsement.

The Adaptive Enterprise solutions, leveraging the Ramco VirtualWorks® platform, have gained in maturity. Over 50 global projects, most of which have gone live, are addressing mission critical requirements of large enterprises. Many customers have begun reaping the benefits and have reposed faith by awarding repeat orders. The collaborative architecture of Ramco VirtualWorks has enabled large enterprises derive sustained long-term value. Such engagements are offering recurring revenues for your company.

Your company has also increased its global presence through several prestigious projects in the BFSI, e-Governance and Aviation segments. The Aviation segment has gained considerable ground through extended relationships and new customer acquisitions. On the BFSI front, our solution delivery using Ramco VirtualWorks, has enabled a large US regional bank to empanel us as a "preferred vendor" and has resulted in fresh business. Our e-Governance offerings have also made a mark with greater domain know-how and maturing service deliveries. This successful foray is expected to translate into additional and sustained business across the globe.

Our corporate performance management solution, Ramco DecisionWorks, acquired several customers from the e-Governance and Manufacturing segments. The Secure Convergence Solutions business won several orders from Telecom, PSUs and FMCG customers.

We have expanded our partner network to meet the increasing demand from SMB customers. We are also exploring new ways of providing cost effective Enterprise solutions to this segment.

A new office has been set up in UAE to address the unique requirements of Middle East customers. This office will also act as the hub for providing solutions to the North African region.

We have initiated multiple people programs to foster innovation and collaboration in Ramco Systems. Programs such as Fun@Work and PRIDE@Ramco Systems have been well received by our employees.

During this period, the company achieved \$ 50.02 million in global revenues, across its business lines and international subsidiaries; registering a growth of 33% over the previous year.

Warm regards,



P.R. Subrahmaneya Rajha  
Chairman



P.R. Venketrama Raja  
Vice Chairman, Managing Director & CEO



We have tread a different path in creating novel ways of developing and delivering software solutions. Our persistence in providing adaptive enterprise solutions has gained global acceptance.



## ***Customers have endorsed us...***

Our constant efforts in keeping our customers satisfied got ratified with the DQ-IDC India Customer Satisfaction Audit 2005 ranking us the No.1 Enterprise Applications provider.

Here are some testimonials from our valued customers:

**Mike McCann, CFO,  
Petroleum Helicopters Inc.,  
USA**

### ***On delivery of the Aviation solution***

"The professionalism, experience, dedication and organizational skills displayed by the Ramco team members were commendable."

**Richard Sides, Sr VP IS,  
Preferred Meal Systems  
Inc., USA**

### ***On the capabilities of the platform***

"Ramco VirtualWorks enables us to implement Fortune 500 business practices. The scale and cost of change is driven down by VirtualWorks."

**Sekhar Vardhan,  
Head -Operations,  
RAKBANK,  
UAE**

### ***On choosing Ramco Human Resources Management solution***

"The solution comfortably meets the bank's requirements and the implementation plan is in line with our business strategy..."

## ***Our technology is proven...***

The model based architecture and the process-to-application approach provided by Ramco VirtualWorks allowed us to address the complex business requirements of large enterprises.



Ramco leveraged its domain expertise in various verticals and horizontals to provide a wide spectrum of innovative solutions on multiple technology platforms using minimal resources.

Conventionally, achieving this kind of breadth and depth, would require much larger teams (both technical and functional) working together for years. On the contrary, Ramco has been able to co-create totally unique mission-critical solutions in a matter of months.

## ***We are going forward...***



The flexibility provided by our adaptive enterprise solutions has allowed our customers to co-create new/modified business process solutions in line with market dynamics. This has helped us to forge long term partnerships with key customers with multiple repeat orders.

We are also continuing our research and development activities for the next version of Ramco VirtualWorks. This version will improve efficiencies in delivering build-to-order enterprise-class solutions.

Our key assets in keeping our customers satisfied are our employees. Multiple task forces have been formed to improve our people practices. Various initiatives have been introduced to improve creativity, innovation and work-life-balance.

Towards achieving operational excellence, we have also taken on multiple initiatives in the areas of Quality and Information Security. We are implementing streamlined development and delivery processes, conforming to SEI CMMI-SW LEVEL 5 standards. In order to ensure authorized access and easy availability of our intellectual property, (Component Repository, Process Repository, Best Practices) we are implementing ISO 27001 information security standards.

Here is a snapshot of the wide cross section of solutions delivered to global customers.

**Global Application Inventory Tracking system - Global Healthcare major**

Solution effectively administers and controls diverse software applications.

**Enterprise Aviation solution - North American Helicopter services company**

Solution encompasses Engineering, Flight Operations, Reliability, Hangar Maintenance, Shop Maintenance, Warranty Administration, Inventory, Procurement, Electronic Flight Bag and Corporate Performance Management.

**Enterprise MRO solution - European Aerospace and Defence specialist**

Comprehensive Maintenance Management system to address overall MRO requirements spanning Maintenance Planning & Execution, Financials, Logistics and Human Resources Management.

**Mutual Fund Sweep system - Multinational Banking & Financial Services Group**

System tracks and manages investments by corporate clients in various mutual funds.

**Commercial loan origination solution - Reputed Regional US Bank**

Automated commercial loan origination solution, from booking to closing.

**Virtual Shoring solution - South African Local Government agency**

Using Ramco VirtualWorks, the agency develops an array of Local Governance solutions.

**Business Intelligence solution - Regional British development agency**

Solution enables multidimensional analysis of CRM data.

**Integrated HRM & Payroll solution - Prominent bank in the UAE**

Web-based solution to help improve productivity and reduce paperwork.

**Distributed Configure to Order solution - European Storage Systems manufacturer**

Comprehensive web-based solution to streamline the business processes of its manufacturing and distribution. Solution encompasses CRM, Procurement, Discrete manufacturing, Sales, Shipping, Installation, Maintenance and Service.

**Farm-to-Store Process Manufacturing - US Dairy Processed Products Manufacturer**

Solution encompasses production, accounting and financials, sales, shipping, purchasing, inventory and truck logistics.

**Mail Order Management system - European Mail Order solutions company**

Web-based mail order management system with multiple interfaces to credit rating, address validation and e-shop applications.

**Courier Logistics solution - Leading Indian integrated logistics provider**

Fully integrated customized solution for courier logistics and integration with proprietary systems and third-party applications.

**Warehouse Automation solution - European Logistics engineering automation company**

Solution facilitates the entire planning, visualization, and execution business processes.

**HRM & Payroll solution - Leading Indian State Government**

Multi-tier, web-architected and integrated HRM solution including Payroll and Employee Self Service.

**Retail Management solution - Leading European retailer of personal care products**

Solution comprises of functionalities such as Point of Sales, Article, Address, Purchase, Inventory and Pricing / Discount rules management.

## **RAMCO SYSTEMS LIMITED**

### **BOARD OF DIRECTORS**

Shri P.R. RAMASUBRAHMANEYA RAJHA  
Chairman

Shri P.R. VENKETRAMA RAJA  
Vice-Chairman, Managing Director & CEO

Shri S.S. RAMACHANDRA RAJA

Shri N.K. SHRIKANTAN RAJA

Shri M.M. VENKATACHALAM

Shri V. JAGADISAN

### **AUDITORS**

Messrs. CNGSN & ASSOCIATES  
Chartered Accountants, Chennai

### **BANKERS**

State Bank of India

UTI Bank Ltd.

Citibank N.A.

### **REGISTERED OFFICE**

47, P.S.K. Nagar, Rajapalayam – 626 108

### **CORPORATE OFFICE & RESEARCH AND DEVELOPMENT CENTRE**

No.64, Sardar Patel Road, Taramani, Chennai – 600 113

### **SUBSIDIARIES**

Ramco Systems Corporation, USA

Ramco Systems Limited, Switzerland

Ramco Systems Pte.Ltd., Singapore

Ramco Systems Sdn.Bhd., Malaysia

RSL Enterprise Solutions (Pty) Ltd., South Africa

Ramco Infotech Solutions Ltd., India

### **REGISTRAR AND SHARE TRANSFER AGENT**

Messrs. Cameo Corporate Services Limited

Subramanian Building, No.1, Club House Road, Mount Road, Chennai – 600 002

**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Eighth Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2005.

**Financial Results**

(In Rs. Million)

	<b>For theYear ended 31<sup>st</sup> March, 2005</b>	For theYear ended 31 <sup>st</sup> March, 2004
Net Sales/Income from Operations	<b>1154.81</b>	823.09
Other Income	<b>73.01</b>	36.09
Total Income	<b>1227.82</b>	859.18
Expenditure		
- Cost of resale material	<b>314.90</b>	253.22
- Staff Cost	<b>543.13</b>	341.56
- Sales & Marketing expenses	<b>30.46</b>	70.51
- Administration & Other Expenses	<b>184.31</b>	248.43
Total Expenditure	<b>1072.80</b>	913.72
Earnings before Interest, Depreciation, Amortisation & Tax	<b>155.02</b>	(54.54)
Interest	<b>113.81</b>	119.51
Depreciation	<b>169.83</b>	101.82
Amortization	-	56.80
Extraordinary Expenses	<b>274.98</b>	-
Profit / (Loss) before tax	<b>(403.60)</b>	(332.67)
Provision for Taxation	-	-
Net Profit / (Loss)	<b>(403.60)</b>	(332.67)

**BUSINESS OPERATIONS OVERVIEW**

This year the company scaled new heights. The Ramco VirtualWorks platform received global acceptance as a better alternative to conventional approaches. Several customers reaped the benefits of faster time to market and better ROI's above all they were happy to be in full control of the development process.

Enterprises were able to effectively co-create domain specific applications, thanks to the collaborative framework offered by VirtualWorks. A significant number of strategic projects on VirtualWorks supporting multiple technology platforms at global customer locations have gone live.

Ernst & Young Europe certified our Ramco Accounting & Financial Management software conforming to Swiss and German standards. Furthermore, Microsoft has elevated us to Gold Certified Partner status.

Global Revenues of Ramco Systems Limited, including its international subsidiaries in USA, Switzerland, Singapore, Malaysia, South Africa and branch offices in UAE, UK and Germany registered USD 50.02 million, recording a 33% growth over the previous year.

**GLOBAL OPERATIONS**

Our India Operations registered revenues of Rs.122.78 crores, a growth of 43% over the previous year. We received repeat orders for peripheral banking applications from a large MNC financial services company. Our Secure Convergence Networking business continued to consolidate its position in information security services from Telecom, PSUs and FMCG companies. DecisionWorks improved its performance in providing Manufacturing Analytics and the Cement Industry business won a prestigious order from a nodal research agency for a Cement simulator.

Our North American operations achieved significant breakthroughs for adaptive Enterprise Solutions in the BFSI, Manufacturing and Aviation spaces. We have launched a BFSI practice comprising senior finance professionals to focus on emerging opportunities. We got an order from a pre-packaged meal supplier to evolve a streamlined solution for handling their unique requirements. On the Aviation front we successfully delivered MRO solutions to a Canadian Aviation speciality services company.

In Europe, we provided Human Resources, Manufacturing, Logistics, Performance Management, Healthcare Management & Retail solutions to leading companies. We won significant orders from a diversified storage systems manufacturer and an international branded foods producer. We have delivered a market version warehouse automation solution to a logistics consulting group.



Our ASEAN operations delivered multiple Enterprise Solutions to customers in the BPO, Construction and Process Manufacturing segments. We have setup an office in UAE to address the growing customer base in the Banking, Cement and Manufacturing segments of the Middle East region.

We consolidated our engagement with a South African Municipality resulting in significant order wins for developing eGovernance Solutions and the rollout of Fleet Management and Corporate Performance Management Solutions.

## **GLOBAL CONSOLIDATED FINANCIAL STATEMENT UNDER AS 21**

The Global consolidated financial statement as prescribed by ICAI under Accounting Standard 21 together with the Auditors Report thereon is attached.

Government of India, Ministry of Company Affairs, vide their letter No:47/236/2005-CL-III dated 5<sup>th</sup> August 2005 has granted its approval under Section 212 (8) of the Companies Act, 1956 exempting the company from attaching along with the Company's audited accounts for the year ended 31<sup>st</sup> March 2005 the full text of the financial statements of its subsidiaries viz., Ramco Systems Corporation, USA, Ramco Systems Limited, Switzerland, Ramco Systems Pte.Ltd., Singapore, Ramco Systems Sdn.Bhd., Malaysia, RSL Enterprise Solutions (Pty) Ltd., South Africa and Ramco Infotech Solutions Limited, India.

Pursuant to the said approval, necessary disclosures have been made in respect of the said subsidiaries in this Annual Report along with the Statement pursuant to Section 212 of the Companies Act, 1956.

The Audited Annual Accounts of the said Subsidiaries and the related detailed information will be made available to the Investors of the Company/Subsidiaries seeking such information at any point of time. The Annual Accounts of the Subsidiary Companies will also be kept for inspection by any investor at the Corporate Office of the Company.

## **SCHEME OF ARRANGEMENT**

The members of the company, in the Extraordinary General Meeting, convened under the directions of the Hon'ble High Court of Madras, pursuant to an application made by the Company and held on the 6th June 2005, approved the implementation by the company of a Scheme of Arrangement whereby, the accumulated losses of the company as it would appear as on 31st March 2005 and the amounts due to the company from its overseas subsidiaries viz. Ramco Systems Corporation, USA, Ramco Systems Limited-Switzerland and Ramco Systems Pte. Ltd., Singapore amounting to Rs. 88.02 crores, aggregating together upto an amount not exceeding Rs. 200.00 crores, would be set off against the Share Premium account. The scheme was duly approved by the Hon'ble High Court of Madras vide its order dated 4th August 2005. The Company has also obtained necessary approvals from its secured creditors and other statutory authorities that were required for carrying out the implementation of the said scheme. Effect for this has been given in the accounts for the year ended 31st March 2005. For details, please refer Note No. 19 to the Notes on Accounts.

## **INCREASE IN PAID UP CAPITAL**

- ◆ During the year, your company has allotted 611,449 equity shares @ Rs.331 per equity share on Preferential basis to the Promoters and Promoters group on 6<sup>th</sup> January 2005.
- ◆ During the year 20,400 share options were exercised by the employees under ESOP 2000 and ESOS 2003 scheme(s).
- ◆ During the period your company had forfeited 1,228 equity shares due to non payment of the call money by the shareholders in your Rights Issue.
- ◆ Consequent to the above, the paid up capital of your company has increased from Rs.115,965,830 to Rs.122,835,680.
- ◆ Your company also decided to raise Equity Capital amounting to Rs. 64.48 crores through Rights Issue of 3,070,751 Equity Shares to the shareholders of the company, at a price of Rs. 210/- per share (inclusive of a premium of Rs. 200/- per Equity Share) in the ratio of ONE equity share for every FOUR equity shares held. The Draft Letter of Offer has already been filed with SEBI and upon completion of the necessary formalities, the said issue is expected to open by December 2005.

## **UTILISATION OF PROCEEDS OF RIGHTS ISSUE-2003 AND PREFERENTIAL ISSUE**

The details are given in Note No:12 (a) & (b) to the Notes on Accounts.

## **RESEARCH AND DEVELOPMENT**

Ramco Systems has successfully delivered multiple Global Projects and Enterprise Solutions across diverse technology stacks using the Ramco VirtualWorks platform. The R&D efforts have been primarily focused on initiatives to proactively enhance usability, productivity, performance and quality based on user feedback.

### **Platform Enhancements**

In order to improve implementation efficiencies, efforts have been expended to introduce value added functionalities like offline review of solution blue print, automated testing and code walkthrough, non-invasive impact analysis and Unicode support.

Ongoing R&D efforts include initiatives to ensure compliance of the runtime and the generated code with current and emerging standards like .NET 2005, Oracle 10G, Itanium support, etc. We are also enhancing the planning and control functionality of the platform to facilitate exhaustive planning, scheduling and tracking at different levels.

R&D programs have been planned to address emerging areas like mobile computing, RFID, provide concurrent multi-language support and enable constraint based planning & multi-tenancy hosting.

### **Component Repository**

Ramco Enterprise Series is a pre-packaged solution suite catering to various industry segments such as Power, Engineering Product Manufacturing, Storage Solutions, Armed forces / Defence, Food and Beverages, Process Production, Fleet operators and MRO service providers, etc.

The solutions are an assembly of pre-built components addressing all necessary business and regulatory requirements. R&D efforts have been spent to enhance the breadth and depth of the business processes addressed by these components. Additional functionality has been provided in the areas of warehouse management, predictive maintenance, electronic flight bag, demand matrix optimization, etc.

Plans are on to develop components to facilitate collaborative manufacturing and address areas like customer management, retail selling, warranty and product model configuration, to name a few.

A separate Profit and Loss Account, Balance Sheet and Schedules in respect of Research & Development Activities is enclosed as part of the Accounts.

## **QUALITY**

The company continues to be certified as an ISO 9001-2000 quality standards organization. During the year the company has been assessed at SEI- CMMI-SW Level 5. The company is working towards obtaining ISO 27001 certification for Information Security.

## **FIXED DEPOSITS**

Your Company has not accepted any deposits during the year.

## **RETIREMENT OF DIRECTORS**

Shri.S.S.Ramachandra Raja and Shri. M.M.Venkatachalam, Directors retire by rotation and being eligible offer themselves for re-appointment.

## **AUDITORS**

The auditors Messrs. CNGSN & Associates, Chartered Accountants, Chennai retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.**

The particulars as prescribed under Sub Section (1) (e) of Section 217 of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure A to this Report.

## **EMPLOYEE PARTICULARS**

The particulars of employees as required to be disclosed in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975, as amended, are annexed to the Directors' Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all shareholders of the Company excluding the aforesaid information. However any shareholder interested in obtaining such particulars may write to the Corporate Office of the Company.

## CORPORATE GOVERNANCE

A detailed note on the Company's philosophy on Corporate Governance and the Management Discussion and Analysis report and such other disclosures as are required to be made under the Listing Agreement with the Stock Exchanges, is separately annexed herewith and forms part of this report.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed;

That the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;

That the selected accounting policies were applied consistently and judgments and estimates that are reasonable and prudent were made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit / (loss) of the Company for that period;

That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

That the annual accounts were prepared for the financial year ended 31<sup>st</sup> March 2005 on a going concern basis.

## COMPLIANCE CERTIFICATE

A Certificate from the auditors of the company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

## ACKNOWLEDGEMENT

Your Directors wish to thank the clients, vendors, investors, and bankers for their continued support of your Company's growth. Your Directors place on record their appreciation of the contribution made by all employees at all levels who have been responsible for the growth of your Company.

For and on behalf of the Board

Place: Chennai

**P.R. RAMASUBRAHMANEYA RAJHA**

Date : 29th October, 2005

CHAIRMAN

## ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2005

In terms of Section 217(1) (e) of the Companies Act (as amended) and the disclosure of particulars in the report of the Board of Directors Rules 1988, the following information is furnished for the year ended 31<sup>st</sup> March 2005.

### (A) CONSERVATION OF ENERGY

The operations of your company are not energy intensive.

### (B) TECHNOLOGY ABSORPTION

Efforts made in Technology absorption : Particulars given in Form B

### (C) FOREIGN EXCHANGE EARNINGS AND OUTGO

- |      |  |   |  |
|------|--|---|--|
| i)   | Activities relating to export                              | : | Export of Software to Middle East, Phillipines, Thailand South Africa.                                   |
| ii)  | Initiatives taken to increase exports                      | : | Marketing efforts are being made in the subsidiaries abroad to increase sales and corresponding exports. |
| iii) | Development of new export market for products and services | : | Marketing efforts in countries like South Africa and UAE are being undertaken in the current year.       |

(Rs. In Lacs)

- |     |     |                               |   |      |
|-----|-----|-------------------------------|---|------|
| (D) | i)  | Total foreign exchange used   | : | 2930 |
|     | ii) | Total foreign exchange earned | : | 5912 |

**FORM B**

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION  
SPECIAL AREAS IN WHICH THE COMPANY CARRIES OUT R&D**

**Ramco VirtualWorks**

Ramco VirtualWorks is :

- A **model-based architecture** that allows you to capture knowledge about processes and the application, store it in a database and turn it into code.
- An **Integrated software delivery process** that defines the scope of your project and the requirements for your application.
- A **business process based approach** radically different from the traditional, data-centric approach found in product-based and custom solution development.

The platform has Code generators that create the application using the various models created as part of the delivery process. It also possesses an application preview facility to visualize applications and get user acceptance before they are assembled. Impact analysis support on the models helps to clearly identify the artifacts that need to be changed / created / removed.

During the year, R&D investments have been in the following areas:

1. Creation of additional facilities in the platform to facilitate scaling of capabilities by
  - a. providing integrated planning and control functionality
  - b. internet enabling the platform for wider access and collaborating with the customers and
  - c. providing integrated roll-out facility for cutting down the Software installation time at customer site.
2. Creating support for multiple technologies to provide solutions in the technology stack choice of the customer without incurring huge rewrite costs. This has helped the organization to expand its offering into many technology segments
3. Consolidating the experience gained from delivering solutions into various industrial segments, such as Power Engineering Product Manufacturing, Storage Solutions, Armed forces / Defence, Food and Beverages, Process Production, fleet operators and MRO service providers ect. addressing all necessary business, regulatory, Payroll and HR related requirements. This has resulted in repository of pre-built solutions that can address wider set of organizations in the listed segments.

Benefits derived as a result of the above R&D:

- Engaging customers early into the development process to avoid scope creep and rework later on
- Expansion of Ramco offerings into all technology segments. This enhances the technology market addressability immensely
- Prpductivity increase due the platform process streamlining
- Better delivery schedule and cost predictability
- Availability of standard functionalities to address more industry segments thus enhancing order wins and profitability
- Ability to engage suitable business partners in delivering solutions to the end customer organizations
- Enhanced ability to manage change requirements that eases customer engagement for requesting changes, resulting in better customer retention and account revenue growth

**Future Plan of Action**

The company continues to undertake research and development activities with the following objectives:

1. To add pre-built solution functionalities to cover more vertical segments
2. To address emerging technology trends to keep in step with the market needs
3. To continually enhance the platform processes towards achieving improved productivity during all stages of solution delivery

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION**

**Expenditure on R&D**

(Rs.in lacs)

Capital (exclusive of capitalised value of Technology Platform and Product Software, referred to in Note No. 9)	32.69
Recurring (Refer Schedule 6 to R&D Accounts)	2218.6
Total	<u>2251.30</u>
Total R&D expenditure as a percentage of total turnover	19.5%

## REPORT ON CORPORATE GOVERNANCE

### COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Ramco Systems Limited (RSL) is committed to maintaining high standards of Corporate Governance, and protecting customers and shareholders interests and the Company endeavors to maintain transparency at all levels. The following is a report on the status and progress on major aspects of corporate governance.

### BOARD OF DIRECTORS

The composition of the Company's Board of Directors is in conformity with the code of Corporate Governance. The structure of the Board is as under:

#### Composition and Category of Directors:

SI No	Name of the Director	Category
1	Shri P.R. Ramasubrahmaneya Rajha	Non Executive Director
2	Shri P.R. Venketrama Raja	Executive Director
3	Shri S.S. Ramachandra Raja	Non Executive Promoter Director
4	Shri N.K. Shrikantan Raja	Non Executive Promoter Director
5	Shri M.M. Venkatachalam	Non Executive Independent Director
6	Shri V. Jagadisan	Non Executive Independent Director

The Managing Director manages the day-to-day affairs of the Company assisted by a Corporate Executive Council consisting of top executives of the Company. The Board met 7 times during the year on 9<sup>th</sup> April, 16<sup>th</sup> June, 27<sup>th</sup> July, 27<sup>th</sup> October, 25<sup>th</sup> November 2004, 28<sup>th</sup> January 2005 and 23<sup>rd</sup> February 2005. Details of attendance of each Director at the Board Meetings held during the year are as follows:

#### Attendance of each Director at the Board Meetings and the last AGM

SI No	Designation	Name of the Director	No of Board Meetings(Attendance)	Last AGM Attendance
1	Chairman	Shri P.R. Ramasubrahmaneya Rajha	6	Yes
2	Vice Chairman and Managing Director	Shri P.R. Venketrama Raja	7	Yes
3	Director	Shri S.S. Ramachandra Raja	5	Yes
4	Director	Shri N.K. Shrikantan Raja	6	Yes
5	Director	Shri M.M. Venkatachalam	5	No
6	Director	Shri V. Jagadisan	7	Yes

### BOARD PROCEDURE

A detailed agenda folder is sent to each Director in advance of the Board and Committee Meetings. The Board of Directors meets at regular intervals. Among other things the Board considers the following matters.

- Strategy and business plans
- Annual Operating and expenditure budgets
- Compliance with statutory requirements
- Adoption of Quarterly/Half Yearly/Annual results

### BOARD COMMITTEES

In accordance with the code of Corporate Governance, the Board has constituted several committees to deal with specific matters and delegated powers for different functional areas.

#### AUDIT COMMITTEE

##### a) Brief description in terms of reference

The Audit Committee comprises of three Non Executive directors with any two forming the quorum. Shri M.M.Venkatachalam (as Chairman) Shri V. Jagadisan and Shri S.S. Ramachandra Raja as Members of the Committee.

The primary objective of the Committee is to monitor and provide effective supervision of the financial control and reporting system. The Audit Committee reviews the following:

- Internal Audit reports.
- Auditor's Report on the financial statements.
- The strength and weakness of the internal controls and recommendations relating thereto.
- Compliance with accounting standards
- Capital Expenditure
- Monitoring of Cost Control measures

**b) Names of Members and Chairman, Meetings and attendance**

During the year the committee met 5 times viz., 11<sup>th</sup> June, 26<sup>th</sup> July, 27<sup>th</sup> October 2004, 25<sup>th</sup> January and 15<sup>th</sup> February 2005. The attendance of directors at the committee meeting are as follows:

SI No	Designation	Name of the Director	No. of Meetings Attended
1	Chairman	Shri M.M. Venkatachalam	5
2	Member	Shri S.S. Ramachandra Raja	5
3	Member	Shri V. Jagadisan	5

**REMUNERATION COMMITTEE**

The Remuneration Committee was constituted on 23<sup>rd</sup> February 2005 for the determination of remuneration package for the Directors of the Company. The composition of the committee is as follows:

Shri.M.M.Venkatachalam	-	Chairman
Shri.V.Jagadisan	-	Member
Shri.N.K.Shrikantan Raja	-	Member

No remuneration is payable to Non Executive Directors other than the Sitting Fees. The Sitting Fees payable to the Directors at present are as follows:

Board	-	Rs.5,000/-
Audit Committee	-	Rs.5,000/-
Shareholders Committee	-	Rs.2,500/-

The company has one Executive Director Shri P.R. Venketrama Raja who is the Managing Director. His term of office expired on 22<sup>nd</sup> March 2005 and he was re-appointed for a period of five years from 23<sup>rd</sup> March 2005 by the Board of Directors in its Meeting held on 23<sup>rd</sup> February 2005. The shareholders of the company have also approved the re-appointment in their meeting held on 4<sup>th</sup> April 2005. The details of remuneration paid to Shri.P.R.Venketrama Raja, Vice Chairman and Managing Director have been provided under Note No:6 to the notes on accounts for the year ended 31<sup>st</sup> March 2005.

**SHAREHOLDERS COMMITTEE**

The Shareholders Committee of the Board focuses on shareholders grievances and strengthening of investor relations. The committee's main focus is on the basic rights of the shareholders including, Transfer of Shares, Transmission / Transposition of Shares, Issue of Duplicate / Split Certificates, Sub Division / Consolidation of Shares, Consolidation of Folios, Dematerialisation / Rematerialisation of Shares, Change of address and such other issues relating to shares. During the year the committee received 115 complaints from the shareholders and redressed all.

During the year the Committee met 11 times, viz. 9<sup>th</sup> April, 27<sup>th</sup> May, 12<sup>th</sup> July, 28<sup>th</sup> July, 19<sup>th</sup> August, 23<sup>rd</sup> September, 27<sup>th</sup> October, 28<sup>th</sup> November 2004, 3<sup>rd</sup> January, 3<sup>rd</sup> February and 4<sup>th</sup> March 2005. The attendance of directors at the committee meetings are as follows:

SI No	Designation	Name of the Director	No of Meetings Attended
1	Chairman	Shri P.R. Ramasubrahmaneya Rajha	10
2	Member	Shri P.R. Venketrama Raja	7
3	Member	Shri N.K. Shrikantan Raja	9

Company Secretary is the Secretary of the Committee.

**Name and designation of Compliance Officer:**

Shri K.S.Raghu, Company Secretary and Compliance Officer as per Clause 47 of the Listing Agreement has resigned from the services of the company effective 21<sup>st</sup> September 2005. The company is in the process of appointing a new Company Secretary and Compliance Officer.

**Details of complaints received and redressed during the year**

SI No.	Particulars	Received	Redressed	Pending as on 31.3.05
1	Non receipt of Share Certificates	-	-	-
2	Call Money Advice/Non receipt of Full Paid Stickers/Corporate Action in Rights Issue-2003	105	105	-
3	Change of Address request	7	7	-
4	Issue of Duplicate Share Certificates	3	3	-
5	Request for Stop Transfer	-	-	-
6	Pending Share Transfer	-	-	-
	Total	115	115	-

## COMPENSATION COMMITTEE

The Compensation Committee comprises of three non Executive Directors with Shri M.M. Venkatachalam (as Chairman), Shri P.R. Ramasubrahmaneya Rajha, and Shri V. Jagadisan as members.

The primary objective of the Committee is to review the compensation levels across various positions in the Company, in order to ensure that the company offers attractive compensation in line with the industry standards, to retain and develop best talent. It also administers the grant of stock option under various schemes of the company.

During the year the Committee met three times viz., 9<sup>th</sup> April, 27<sup>th</sup> October 2004 and 28<sup>th</sup> January 2005. The attendance of directors at the committee meetings are as follows:

SI No	Name of the Director	No of Meetings Attended
1	Shri P.R. Ramasubrahmaneya Rajha	-
2	Shri M.M.Venkatachalam	3
3	Shri V.Jagadisan	3

Details of various Stock Option Schemes are given below:

### a) Employee Share Purchase Plan ( ESPP 1999)

During the year 1999-2000, the Company established the Employee Share Purchase Plan (ESPP) which provided for the issuance of 1,100,000 shares to eligible employees (including certain employees of the subsidiaries). The shares were issued to an employee welfare trust called the RSL Employee Trust ("Trust") at Rs. 10/- each and Re. 1/- was paid-up by the Trust as application money. Subsequently, the Trust expressed its inability to pay the remaining money due on all the 1,100,000 shares and offered to pay the balance amount (i.e., Rs. 9/- per share) only in respect of 250,000 shares. Accordingly, 850,000 shares were forfeited. The balance 250,000 shares have been allotted to employees at par (i.e., Rs. 10/- each) as per their grade and number of years of services under an agreement of sale, and the employees would need to be in the employment of the Company over a four year period to get the shares on a progressive basis. As on date, 67,300 number of shares remained with the trust and these shares represent the shares not been vested due to non-fulfillment of conditions of the scheme.

### b) Employee Stock Option Plan 2000 (ESOP 2000)

At the Annual General Meeting held on 28<sup>th</sup> August 2000, the Shareholders had approved grant of options to the employees convertible into equity shares aggregating to 160,000 equity shares of Rs.10 each. Subsequently the company had granted in April 2001, 126,150 share options to the employees under the scheme at a price of Rs.254 per share options (Market price as on 12<sup>th</sup> April 2001), with a vesting period of 2/3 years. After the expiry of the vesting period, upon the exercise of options 11,750 shares were converted into equity shares during the financial year 2003-04.

Further at the meeting of the compensation committee held on 14<sup>th</sup> December 2003, 67,700 fresh Options were granted to the eligible employees of the company at a price of Rs.227 per Option (as adjusted from the original price of Rs.254 for the Rights-2003 exercise) as per SEBI guidelines with a vesting period of 3 years. Each Option entitles for One Ordinary Equity Share of the Company of the Nominal Value of Rs.10 each upon payment of the exercise price during the exercise period. After the expiry of the first vesting period on 31<sup>st</sup> December 2004 certain employees have exercised their options and 6,650 shares were allotted till 31<sup>st</sup> March 2005.

### c) Employee Stock Option Scheme 2003 (ESOS 2003)

At the Extra-ordinary General Meeting held on 9<sup>th</sup> April, 2003 the shareholders of the Company approved the grant of options to employees convertible into equity shares aggregating to 500,000 equity shares of Rs.10 each. The Compensation Committee in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 together with the amendment made in June 2003 thereto, framed a detailed scheme and accordingly, grant of Options were made to the extent of 464,500 options as on 1<sup>st</sup> January 2004 at an exercise price of Rs.284/-per Option as adjusted for the Rights-2003 exercise as per SEBI guidelines.

After the expiry of the first vesting period on 31<sup>st</sup> December 2004 certain employees have exercised their options and 13,750 shares were allotted till 31<sup>st</sup> March 2005.

### d) Employee Stock Option Scheme 2004 (ESOS 2004)

The shareholders of the Company at their extra-ordinary general meeting held on 24<sup>th</sup> December, 2004 have approved 9,00,000 options under the scheme to Key Managerial Personnel including, Independent Directors, President, CEO and other Senior Key Management Personnel. No Options have so far been granted.

### e) Employee Stock Purchase Scheme 2004 (ESPS 2004)

The shareholders of the Company at their extra-ordinary general meeting held on 24<sup>th</sup> December, 2004 have approved the issue of 100,000 shares under the scheme to Senior Key Managerial Personnel including Independent Directors, President, CEO and other Senior Key Management Personnel. No Shares have so far been allotted.

The details of the options granted under the above said schemes as on 31<sup>st</sup> March 2005 are given below:

<b>Sl No.</b>	<b>Particulars</b>	<b>ESOP 2000</b>	<b>ESOS 2003</b>
1	Total Options	160,000	500,000
2	Options granted	79,700 *	375,150 *
3	Exercise price	Rs.227 per option (as adjusted from the original price for the Rights Issue Exercise, as per SEBI Guidelines)	Rs.284 per option (as adjusted from the original price for the Rights Issue Exercise, as per SEBI Guidelines)
4	Options vested	34,590	137,885
5	Options exercised	6,650	13,750
6	Options lapsed	2,350	-
7	Total Number of Shares arising as a result of Options	6,650	13,750
8	Unvested Options	42,760	237,265
9	Money realized by exercise of options	Rs. 1,509,550	Rs. 3,905,000
10	Employee wise details of options granted to		
	i) Senior Managerial personnel	Nil	Nil
	ii) Any other employee who receives a grant in one year of option amounting to 5% or more of option granted during the year	Nil	Nil

\*(Net of cancellation due to employee separations)

#### **GENERAL BODY MEETINGS**

Details of location, time and date of General Meetings held during the last three financial years.

<b>DATE</b>	<b>MEETING</b>	<b>LOCATION</b>	<b>TIME</b>
09.09.02	AGM	Shri P A C R Centenary Community Hall Sudharsan Gardens, PAC Ramasamy Raja Salai, Rajapalayam 626 108	10.00 A.M
09.04.03	EGM	47 PSK Nagar, Rajapalayam – 626 108	10.00 A.M
11.08.03	AGM	Shri P A C R Centenary Community Hall Sudharsan Gardens, PAC Ramasamy Raja Salai, Rajapalayam 626 108	02.30 P.M
28.07.04	AGM	Shri P A C R Centenary Community Hall Sudharsan Gardens, PAC Ramasamy Raja Salai, Rajapalayam 626 108	11.30 A.M
24.12.04	EGM	47 PSK Nagar, Rajapalayam – 626 108	10.00 A.M

#### **POSTAL BALLOT**

There was no occasion of the postal ballot during the financial year 2004-2005.

#### **CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING**

The company has framed a code of conduct to comply with all relevant Insider Trading Regulations. This code is applicable to all Directors/Officers/Designated Employees. The code regulates dealing in shares by persons having access to unpublished price sensitive information.

#### **DISCLOSURES**

Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interest of company at large: We have disclosed the related party transactions in Note No. 17 of the notes on accounts

Details of non compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years: Nil

The company has complied with the requirements of the Stock Exchanges or SEBI on matters relating to capital markets as applicable from time to time.



## MEANS OF COMMUNICATION

The Board of Directors of the company takes on record the Un-audited Financial Results in the prescribed form within one month of the close of every quarter and announces the results to the stock exchanges where the Company's shares are listed. The same are also published within 48 hours in the newspapers viz., Financial Express, Business Standard (English) and Makkal Kural (Tamil).

The Quarterly results, Half-Yearly results, Annual Results and Shareholding Pattern as well as the Press Releases are displayed on the Company's web site at [www.ramco.com](http://www.ramco.com). In addition to the above, the company also regularly provides information to the stock exchanges as per the requirements of the Listing Agreements and updates the same on Company's website periodically to include information on new developments and business opportunities of the Company. The company is also uploading the quarterly/half yearly results and shareholding patterns on the Electronic Data Information Filing and Retrieval (EDIFAR) system.

Press briefings are held after important occasions viz., announcement of quarterly results, new tie up etc., Shareholders are being provided with timely information on all Company related matters. For effective and better communication to the Shareholders, the company has appointed IPAN as Company's PR Agency for issue of Press Release, Results, etc.,

As required by sub clause V of Clause 49 of the Listing Agreement, Management Discussions and Analysis giving an overview of the industry, Company's business and its financials etc., is provided separately as a part of the Annual Report.

## GENERAL SHAREHOLDER INFORMATION

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1	Number of Annual General Meeting	-	Eighth
2	Date	-	09 <sup>th</sup> December 2005
3	Day	-	Friday
4	Time	-	12.30 p.m.
5	Venue	-	Shri P.A.C. Ramasamy Raja Centenary Community Hall, Sudharsan Gardens, PAC Ramasamy Raja Salai, Rajapalayam-626 108

### Financial Calendar (Tentative – Subject to change)

A	I Quarter Results for June 2005	-	30 <sup>th</sup> July 2005
B	II Quarter Results for September, 2005	-	29 <sup>th</sup> October 2005
C	III Quarter Results for December, 2005	-	Between 15 <sup>th</sup> January & 31 <sup>st</sup> January, 2006
D	Financial Results for the year ending 31 <sup>st</sup> March 2006	-	Between 15 <sup>th</sup> June & 30 <sup>th</sup> June, 2006
E	Annual General Meeting for the year ending 31 <sup>st</sup> March 2006	-	August/September, 2006
F	Dividend Payment Date	-	Nil

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### Listing of equity shares on the stock exchanges at:-

- A The Madras Stock Exchange Ltd, 11 Second Line Beach, Chennai – 600 001
- B Bombay Stock Exchange Limited, Phiroze Jhejeebhoy Towers, Dalal Street, Mumbai – 400 001
- C The National Stock Exchange of India Limited, C1 - Block G, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051

### Depositories

- A National Securities Depository Limited, Trade World, 4<sup>th</sup>Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
- B Central Depository Services (India) Limited, 28<sup>th</sup> Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 023

Listing fee for the financial year 2005-2006 has been paid to the stock exchanges where the Company's shares are listed. There has been no penalty imposed on the Company by Stock Exchanges or SEBI or any other statutory authorities on any matter relating to capital markets during the year.

Name of the Stock Exchange	Code
Madras Stock Exchange Ltd	RSST
The National Stock Exchange of India Ltd	RAMCOSYS
Bomaby Stock Exchange Ltd	RAMSYDM
ISIN No	INE 246B 01019

**Finance**

The Company has been assigned the following credit ratings by ICRA in respect of its debt program.

Programme	Credit Rating	Rating Degree	Amount
Commercial Paper	A1+	Highest Safety	Rs.10 Crores
Short Term Loan	A1+(SO)	Highest Safety	Rs.25 Crores

**Details of share price movements in The National Stock Exchange of India Ltd**

Sl No	Month	Volume	High (Rs.)	Low (Rs.)
1	April 2004	221,522	285.00	222.10
2	May	169,138	254.00	172.00
3	June	1,320,315	272.90	201.20
4	July	958,961	268.90	214.00
5	August	642,699	250.00	215.45
6	September	1,925,639	311.80	249.70
7	October	785,509	324.85	270.00
8	November	1,117,909	419.85	312.00
9	December	1,371,352	502.00	358.35
10	January 2005	310,106	465.50	367.00
11	February	476,845	478.45	375.00
12	March	160,892	458.90	366.50

**Registrar and Share Transfer Agents**

The Company's Shares both physical and Electronic (Demat Form) are handled by M/s. Cameo Corporate Services Limited, Subramanian Building, No. 1, Club House Road, Chennai - 600 002, Phone:044-28460390: Fax:044-28460129. All the members are requested to correspond with them for any queries.

**Share Transfer System**

The shares lodged for physical transfer/transmission/transposition are registered as per the requirement of the listing agreement if the documents are complete in all respects. Adequate care is taken to ensure that no transfers are pending for more than the period stipulated in the listing agreement. Shares requested for dematerialisation are confirmed within 10 days. During the year the Shareholders Committee has met eleven times and approved the transfers, transmissions etc. There is no specific complaint outstanding till date.

**Shareholding Pattern as on 31<sup>st</sup> March 2005**

Description	Total Shares	%
Promoters	7,687,714	62.87
Mutual Fund & UTI	87,651	0.72
Financial Institutions	50	0.00
FIs	628,821	5.14
Insurance Companies	281,194	2.31
NRIs/OCBs	35,849	0.29
Banks	28,515	0.23
Bodies Corporate	693,570	5.67
Indian Public	2,784,390	22.77
<b>Total</b>	<b>12,227,754*</b>	<b>100.00</b>

\*This does not include 20,400 equity shares, allotted to employees under ESOP 2000 and ESOS 2003 Schemes on 28<sup>th</sup> March 2005 and listed in Stock Exchanges in April 2005.

**Dematerialisation of Shares and Liquidity**

As on 31<sup>st</sup> March 2005, 11,277,678 equity shares representing 92.23% of the Company's total number of shares have been dematerialised. The Company has entered into agreements with both National Securities Depository Limited and Central Depository Services (India) Ltd to facilitate the shareholders to demat their equity shares with any one of the depositories.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on Equity : The Company has not issued any ADR/GDR Convertible Warrants

### **Plant Location**

**R&D Centre** : 64 Sardar Patel Road, Taramani, Chennai – 600 113

**Address for Correspondence & Shareholders queries** : The Company Secretary,  
64 Sardar Patel Road  
Taramani, Chennai – 600 113  
Phone : 044-22354510  
Telefax : 044- 22355078  
(or)  
M/s. Cameo Corporate Services Limited,  
Subramanian Building, No. 1, Club House Road,  
Chennai - 600 002,  
Phone:044-28460390: Fax:044-28460129.

### **Other shareholders information**

#### **Secretarial Audit**

A qualified practicing Company Secretary has carried out Secretarial Audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and paid up capital. The audit confirms that the total issued/paid up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

#### **Merchant Bankers to ESOP 2000 & ESOS 2003 Schemes**

In accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999 together with the amendment made in June 2003 thereto, the Company has appointed Indbank Merchant Banking Services Limited, III Floor, Krest Building, Old No.26/27, New No.2, Jehangir Street, Chennai – 600 001 as the Merchant Bankers for the implementation of the said Schemes.

#### **Compliance Report on Corporate Governance**

Compliance Certificate dated 29th October 2005, from our Statutory Auditors Messrs. CNGSN & Associates is given at the end of this Corporate Governance Report.

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### **AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

(Under Clause 49 of the Listing Agreement)

To

The Members of Ramco Systems Limited

We have examined the compliance of conditions of Corporate Governance by Ramco Systems Limited, for the year ended 31<sup>st</sup> March 2005, as stipulated in Clause 49 of the Listing Agreement of the said company with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance(s) is/are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For CNGSN & Associates,**  
Chartered Accountants

Place: Chennai  
Date : 29<sup>th</sup> October 2005

**C.N.GANGADARAN**  
Partner

## MANAGEMENT DISCUSSION & ANALYSIS

### OVERVIEW

The year has been one of consolidation on our delivery of adaptive enterprise solutions to global customers. Our mature delivery processes, scalable infrastructure and skilled global resource base have helped us offer high quality and cost effective services to our customers. This coupled with the process centric approach to developing solutions have helped us forge strategic relationships with several customers who have reposed their faith in us with repeat orders.

Currently, over 25 mission critical solutions have gone live for global customers and another 25 are under various stages of implementation. These solutions span multiple horizontal and vertical segments and are unique examples of adaptive solutions which utilize a good mix of pre-built components with new business processes.

### SALES AND MARKETING

With the maturing of the solution delivery capabilities, we have now shifted our focus to enhance our sales and marketing activities. We have setup a new office in UAE to cater to the Middle East and North African region. A local presence in the region will go a long way in expanding our market reach.

The new services being offered by the Banking and Financial Services segment has triggered off significant growth in requirements for value added solutions. We have put in place specific sales and marketing personnel to address this segment in the US and Europe.

### PARTNERSHIPS AND ALLIANCES

Our comprehensive solution for fixed wing , rotor and MRO companies has found a good niche in the growing aviation industry. We are exploring strategic alliances to increase our reach in this segment.

Our successes in the SMB segment in India are primarily due to the excellent efforts of our partner network. Our joint marketing efforts with global technology providers have resulted in greater visibility.

### QUALITY & INFORMATION SECURITY

Our proven processes and methodologies are important elements of our mature global delivery model. The processes and methodologies that we use at our delivery centers in India conform to ISO 9001:2000 standards and are assessed at SEI-CMMI-SW Level 5.

Given the mission critical nature of our enterprise solutions, we have to ensure that the information on the customers business processes are safeguarded from malicious use, available always to authorized users and are protected as is. We are working towards obtaining ISO 27001 certification for Information Security. We have also put in place processes for business continuity and disaster recovery.

### PEOPLE INITIATIVES

Our employees form the core of our business. We have initiated multiple programs for improving work life balance like Fun@Work – a series of fun activities to alleviate stress levels, improve interactions and enhance creativity and innovation. We have also launched rewards and recognition schemes like Pride@Ramco Systems to nurture excellence and foster greater employee satisfaction. Innovative incentive schemes have been put in place to retain valuable contributors.

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*The “Letter to Shareholders” and “Corporate Themes” provided in this report do not contain sufficient information to allow full understanding of the results or the state of affairs of the company. The Ramco Systems management cautions investors that these reports are provided only as additional information to our investors. Using such reports for predicting the future of Ramco Systems is risky. The Ramco Systems management is not responsible for any direct, indirect or consequential losses suffered by any person using these reports.*

## AUDITOR'S REPORT TO THE MEMBERS OF RAMCO SYSTEMS LIMITED

1. We have audited the attached balance sheet of Ramco Systems Limited, as at 31<sup>st</sup> March 2005, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books;
  - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of accounts;
  - (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3c) of Section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the Board of Directors, as on 31<sup>st</sup> March 2005 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of balance sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2005;
    - (b) in the case of the profit and loss account, of the loss for the year ended on that date; and
    - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

**For CNGSN & Associates**  
Chartered Accountants

Place: Chennai  
Date : 29<sup>th</sup> October 2005

**C.N. GANGADARAN**  
Partner  
Membership Number: 011205

**ANNEXURE TO THE AUDITOR'S REPORT**

**Re: RAMCO SYSTEMS LIMITED**

Referred to in paragraph 3 of our report of even date,

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) Most of the assets have been physically verified by the management during the year. The company has a phased programme of verification which in our opinion is reasonable having regard to the size of the company. No material discrepancies have been noticed on such verification.
- (c) During the year, the company has not disposed off a major part of the plant and machinery and the going concern status of the company is not affected.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion the frequency of the verification may be increased.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. No material discrepancies were noticed at the time of physical verification.
- (iii) (a) The Company has not given loans to any companies in Section 301 but has taken loan from one company mentioned in Section 301 register. The total amount taken during the year was Rs.597,000,000/- and the year end balance is Rs.150,000,000/-.
- (b) In our opinion rates of interest and other terms and conditions are not prejudicial to the interest of the company.
- (c) The repayment of the principal amounts and interest wherever applicable are regular.
- (d) The loans taken by the company are repayable on demand and therefore the question of overdue amounts does not arise.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls system.
- (v) (a) The company has transactions with Section 301 companies. The transactions have been entered in the register maintained under Section 301 of the Companies act, 1956.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposits from the public.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The company does not come under section 209(1)(d) of the Companies Act, 1956.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employee state insurance, income tax, wealth tax, sales tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess were in arrears as at 31<sup>st</sup> March 2005 for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are disputed statutory dues, aggregating to Rs.1,756.13 lacs that have not been deposited on account of matters pending before appropriate authorities, which are as under:

Name of the Statute	Nature of Dues	Forum where dispute is pending	Rs. in Lacs
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals), Madurai	1,756.13

- (x) In our opinion, the accumulated losses of the Company are not more than 50% of its net worth. The Company has incurred cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or nidhi / mutual benefit fund / society. Therefore, the provisions of Clause 4(xiii) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- (xv) In our opinion, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prima facie prejudicial to the interest of the Company.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanation given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) According to the information and explanation given to us, the company has made a preferential allotment of 611,449 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. 202,389,619/- to the following entities belonging to the promoter group of the company:
- |                                     |                       |
|-------------------------------------|-----------------------|
| 1. Madras Cements Ltd.              | 385,349 equity shares |
| 2. Ramco Industries Ltd.            | 60,000 equity shares  |
| 3. Shri. P.R.Ramasubrahmaneya Rajha | 15,100 equity shares  |
| 4. Shri P.R.Venketrama Raja         | 151,000 equity shares |
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the company has issued 50 number of unsecured debentures of Rs.1 crore each.
- (xx) The Company has not raised any money by issue of share to the public during the year.
- (xxi) According to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For CNGSN & Associates**  
Chartered Accountants

Place: Chennai  
Date : 29<sup>th</sup> October 2005

**C.N. GANGADARAN**  
Partner  
Membership Number: 011205

**BALANCE SHEET AS AT 31ST MARCH 2005**

	Schedule	As at 31.03.2005 Rs.	As at 31.03.2004 Rs.
<b>I. SOURCES OF FUNDS</b>			
<b>1. Share Holders' Funds</b>			
a) Share Capital	I	122,835,680	115,965,830
b) Reserves & Surplus	II	<u>1,334,462,949</u>	<u>3,110,374,644</u>
		<u>1,457,298,629</u>	<u>3,226,340,474</u>
<b>2. Loan Funds</b>			
a) Secured	III	510,481,931	327,374,008
b) Unsecured	IV	<u>1,027,500,000</u>	<u>880,550,000</u>
		<u>1,537,981,931</u>	<u>1,207,924,008</u>
<b>TOTAL</b>		<u>2,995,280,560</u>	<u>4,434,264,482</u>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
Gross Block	V	2,113,416,786	1,958,543,964
Less : Depreciation		<u>605,616,435</u>	<u>479,517,554</u>
Net Block		<u>1,507,800,351</u>	<u>1,479,026,410</u>
Capital Work in progress		-	85,630,187
<b>2. Investments</b>			
	VI	1,222,447,967	834,409,958
<b>3. Current Assets, Loans &amp; Advances</b>			
a) Inventories	VII	27,462,572	23,641,927
b) Sundry Debtors	VIII	400,635,386	925,616,399
c) Cash & Bank Balances	IX	83,090,934	125,050,713
d) Loans & Advances	X	107,106,433	568,853,124
e) Other Current Assets	XI	<u>14,206,439</u>	<u>18,241,427</u>
		<u>632,501,764</u>	<u>1,661,403,590</u>
<b>Less: Current Liabilities and Provisions</b>			
a) Current Liabilities	XII	366,542,356	313,372,889
b) Provisions	XIII	<u>927,166</u>	<u>927,166</u>
		<u>367,469,522</u>	<u>314,300,055</u>
<b>Net Current Assets</b>		<u>265,032,242</u>	<u>1,347,103,535</u>
<b>4. Profit &amp; Loss account</b>			
	XIV	-	688,094,392
<b>TOTAL</b>		<u>2,995,280,560</u>	<u>4,434,264,482</u>
Significant Accounting Policies and Notes to accounts Schedules, Accounting Policies and Notes form an integral part of the accounts	XXI		

As per our Report Annexed  
For **CNGSN & Associates**  
Chartered Accountants

**P. R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**S.S. RAMACHANDRA RAJA**

**N.K. SHRIKANTAN RAJA**

**C.N. GANGADARAN**  
Partner

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**V. JAGADISAN**  
Directors

Place: Chennai  
Date : 29th October, 2005



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005**

	Schedule	Year ended 31.03.2005 Rs.	Year ended 31.03.2004 Rs.
<b>INCOME</b>			
Sales	XV	1,154,809,994	823,093,428
Other Income	XVI	73,007,210	36,087,180
		<u>1,227,817,204</u>	<u>859,180,608</u>
<b>EXPENDITURE</b>			
Cost of Resale Material		314,905,211	253,222,372
Employee Compensation & Benefits	XVII	543,128,456	341,556,606
Sales & Marketing Expenses	XVIII	30,459,953	70,511,482
Administrative & Other Expenses	XIX	184,307,971	248,428,137
		<u>1,072,801,591</u>	<u>913,718,597</u>
<b>Profit / (Loss) before Interest, Depreciation, Amortisation, Tax &amp; Extraordinary items</b>		<b>155,015,613</b>	<b>(54,537,989)</b>
Interest & Finance Charges	XX		
- For R&D activities		31,143,012	31,697,769
- For Others		82,669,611	87,811,261
<b>Profit / (Loss) before Depreciation , Amortisation, Tax &amp; Extraordinary items</b>		<b>41,202,990</b>	<b>(174,047,019)</b>
Depreciation - on Technology Platform & Product Software		114,870,022	48,535,000
- on other fixed assets		54,956,759	53,292,173
<b>Profit / (Loss) before Amortisation, Tax &amp; Extraordinary items</b>		<b>(128,623,791)</b>	<b>(275,874,192)</b>
Amortisation of Product Research and Development Expenditure		-	56,800,000
<b>Profit / (Loss) before Tax &amp; Extraordinary Items</b>		<b>(128,623,791)</b>	<b>(332,674,192)</b>
Extraordinary Items (Refer Note No.20)		274,978,586	-
<b>Profit / (Loss) before Tax</b>		<b>(403,602,377)</b>	<b>(332,674,192)</b>
Provision for Taxation			
Current Taxation		-	-
Deferred Taxation (Refer Note No.8)		-	-
<b>Profit / (Loss) after Tax</b>		<b>(403,602,377)</b>	<b>(332,674,192)</b>
Add : Balance brought forward from previous year		(688,094,392)	(355,420,200)
Add : Prior period adjustments		(15,972,410)	-
Less : Transfer from Share Premium Account, to the extent required to set off the write-off of trade receivables as per the Scheme of Arrangement (Refer note no. 19)		880,204,035	-
Add : Set off of trade receivables as per the the Scheme of Arrangement (Refer note no. 19)		(880,204,035)	-
Add : Set-off of accumulated losses against share premium as per the Scheme of Arrangement (Refer note no. 19)		1,107,669,179	-
<b>Balance in Profit &amp; Loss Account</b>		<u>-</u>	<u>(688,094,392)</u>

Significant Accounting Policies and Notes to accounts **XXI**  
Schedules, Accounting Policies and Notes form an integral part of the accounts

As per our Report Annexed  
For **CNGSN & Associates**  
Chartered Accountants

**P. R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**S.S. RAMACHANDRA RAJA**  
**N.K. SHRIKANTAN RAJA**

**C.N. GANGADARAN**  
Partner

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**V. JAGADISAN**  
Directors

Place: Chennai  
Date : 29th October, 2005

**SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH 2005**

<b>Schedule I</b>		<b>As at 31.03.2005</b>	<b>As at 31.03.2004</b>
<b>Share Capital</b>		<b>Rs.</b>	<b>Rs.</b>
<b>Authorised :</b>			
15,000,000 equity Shares of Rs.10/- each		<u>150,000,000</u>	<u>150,000,000</u>
<b>Issued Share Capital</b>			
12,597,382 equity shares		<u>125,973,820</u>	<u>119,655,330</u>
(Previous year 11,965,533) of Rs.10/- each			
<b>Subscribed Share Capital</b>			
12,597,382 equity shares		<u>125,973,820</u>	<u>119,655,330</u>
(Previous year 11,965,533) of Rs.10/- each			
<b>Paid up Capital</b>			
12,248,154 (Previous year 11,617,533)	<b>122,481,540</b>		
Equity shares of Rs.10/- each fully paid up			
Add: Forfeited Shares	<u>354,140</u>	<b>122,835,680</b>	116,523,330
Less: Calls in arrears Nil		-	(557,500)
(Previous year 111,500 Shares @ Rs.5/- each)			
		<u>122,835,680</u>	<u>115,965,830</u>

**Of the above**

4,333,153 equity shares of face value Rs.10/- each have been allotted to the shareholders of Ramco Industries Limited credited as fully paid up pursuant to the approval of the scheme of arrangement (Demerger) for the transfer of software business undertaking of Ramco Industries Limited with Ramco Systems Limited by the Honorable High Court of Madras, vide order dated 24th December 1999.

2,376,719 equity shares have been allotted to Ramco Industries Limited as fully paid up shares of face value of Rs.10/- each at a premium of Rs.293/- per share pursuant to a contract for the transfer of its entire investment in the overseas Subsidiary Companies without payment being received in cash. The above allotment has been duly approved by the Shareholders of the company in the EGM held on 10th November 1999 and by the Reserve Bank of India.

**Schedule II**

**Reserves & Surplus**

		<b>As at 31.03.2005</b>	<b>As at 31.03.2004</b>
		<b>Rs.</b>	<b>Rs.</b>
Share Premium (Refer Note No.12)	<b>1,334,346,289</b>		
Add: Forfeited Shares	<u>116,660</u>	<b>1,334,462,949</b>	3,110,374,644
		<u>1,334,462,949</u>	<u>3,110,374,644</u>

**Schedule III**

**Secured Loans**

a) Bank Borrowings		<b>201,652,269</b>	245,356,426
b) Term Loan from			
Housing Development Finance Corporation Ltd.		<b>10,044,290</b>	11,995,598
Sundaram Housing Finance Ltd.		<b>2,407,586</b>	3,188,261
Banks / Financial Institutions		<b>294,333,332</b>	66,500,000
c) Hire Purchase Loans		<b>2,044,454</b>	333,723
(For security details, refer Note No.2)			
		<u>510,481,931</u>	<u>327,374,008</u>

**Schedule IV**

**Unsecured Loans**

From Banks - Short Term Loan		<b>627,500,000</b>	527,550,000
From Others		<b>400,000,000</b>	353,000,000
		<u>1,027,500,000</u>	<u>880,550,000</u>

**Schedule V- Fixed Assets****(in Rs.)**

Asset Description	Gross Block				Depreciation Block				Net block	
	As at 01.04.2004	Additions	Withdrawals	As at 31.03.2005	Upto 01.04.2004	For the year	Withdrawals	Up to 31.03.2005	As at 01.04.2004	As at 31.03.2005
Land	117,819,601	-	-	117,819,601	-	-	-	-	117,819,601	117,819,601
Building	165,659,915	1,409,811	-	167,069,726	40,232,011	5,556,994	-	45,789,005	125,427,904	121,280,721
Plant & Machinery										
-EDP	280,925,691	29,795,467	28,915,893	281,805,265	203,231,730	22,562,346	27,987,385	197,806,691	77,693,961	83,998,574
- Software	83,675,655	23,063,213	-	106,738,868	45,384,936	12,038,768	-	57,423,704	38,290,719	49,315,164
- Others	31,864,935	-	-	31,864,935	13,758,854	1,524,249	-	15,283,103	18,106,081	16,581,832
Technology Platform	485,350,000	144,586,057	-	629,936,057	97,070,000	57,098,019	-	154,168,019	388,280,000	475,768,038
Product Software	577,720,026	122,928,115	138,888,889	561,759,252	-	57,772,003	13,888,889	43,883,114	577,720,026	517,876,138
Furniture										
-Furniture	95,843,353	1,302,257	1,297,561	95,848,049	38,850,518	6,136,785	400,245	44,587,058	56,992,835	51,260,991
- Office Equipments	17,562,590	11,700	8,190	17,566,100	6,085,246	824,269	3,534	6,905,981	11,477,344	10,660,119
Electrical Items	97,293,952	2,951,178	3,603,291	96,641,839	33,248,848	5,850,484	880,773	38,218,559	64,045,104	58,423,280
Vehicles	4,828,246	2,579,452	1,040,604	6,367,094	1,655,411	462,864	567,074	1,551,201	3,172,835	4,815,893
<b>Total</b>	<b>1,958,543,964</b>	<b>328,627,250</b>	<b>173,754,428</b>	<b>2,113,416,786</b>	<b>479,517,554</b>	<b>169,826,781</b>	<b>43,727,900</b>	<b>605,616,435</b>	<b>1,479,026,410</b>	<b>1,507,800,351</b>
Previous Year	1,333,735,947	628,362,034	3,554,017	1,958,543,964	378,837,463	101,827,173	1,147,082	479,517,554	954,898,484	1,479,026,410

Note: 1. For Policy on Fixed Assets and Depreciation refer significant accounting policy No. III

2. Gross Block includes assets acquired under Hire purchase Rs.4,466,157/- (Previous year Rs. 2,060,300/-)

**As at 31.03.2005**      **As at 31.03.2004**  
**Rs.**    **Rs.**

**Schedule VI Investments**

1.	Investments in Subsidiaries ( Trade - Unquoted):		
	192,729,550 Shares in Ramco Systems Corporation, USA of USD 0.0145 each	<b>743,412,072</b>	429,401,894
	1,400,000 Shares in Ramco Systems Ltd., Switzerland of face value of CHF 1 each	<b>441,702,040</b>	288,671,649
	725,000 Shares in Ramco Systems Pte. Ltd., Singapore of face value of SGD 1 each	<b>18,616,100</b>	18,616,100
	1,280,000 Shares in Ramco Systems Sdn. Bhd., Malaysia of face value of RM 1 each	<b>18,217,054</b>	18,217,054
	100 shares in RSL Enterprise Solutions (Pty) Ltd., South Africa of face value of Rand 1 each	<b>701</b>	701
	50,000 shares in Ramco Infotech Solutions Ltd., Chennai of face value of Rupees 10 each	<b>500,000</b>	-
2.	Investments in others ( Trade - Unquoted):		
	253 shares in Triamun AG, of face value of CHF 1 each	-	39,502,560
3.	Investments in Mutual Funds - Short Term (non-trade - Unquoted) (3,963,771 units purchased under Sundaram Money Fund Plan)	-	40,000,000
		<u><b>1,222,447,967</b></u>	<u>834,409,958</u>

**Schedule VII Inventories**

Resale Hardware & Software Materials	<b>27,462,572</b>	23,641,927
(Valued at Cost or Net realisable value whichever is lower and as certified by management)		

	As at 31.03.2005 Rs.	As at 31.03.2004 Rs.
<b>Schedule VIII</b>		
<b>Sundry Debtors</b>		
(Unsecured, Considered Good)		
a) Debts Outstanding for period exceeding six months		
(i) From Subsidiaries	34,116,949	570,876,725
(ii) Others	42,348,506	48,468,234
b) Other debts		
(i) From Subsidiaries	136,131,815	143,036,904
(ii) Others	188,038,116	163,234,536
(Unsecured, Considered doubtful )		
Debts - (out of (a)(ii) above)	6,646,826	2,893,073
Less: Provision for doubtful debts	(6,646,826)	(2,893,073)
	<u>400,635,386</u>	<u>925,616,399</u>
<b>Schedule IX</b>		
<b>Cash and Bank Balances</b>		
Cash on hand	380,047	1,274,923
Balances with Scheduled Banks in		
a) Current Accounts	12,710,887	53,775,790
b) Deposit Accounts	70,000,000	70,000,000
	<u>83,090,934</u>	<u>125,050,713</u>
<b>Schedule X</b>		
<b>Loans and Advances</b>		
(Unsecured, Considered Good)		
Advance recoverable in Cash or kind or value to be received		
From Subsidiaries	-	484,096,136
Others	57,224,606	35,768,447
Tax deducted at Source	36,078,355	33,774,090
Deposits with Government Departments and Others	13,803,472	15,214,451
(Unsecured, Considered doubtful )		
Advance recoverable in Cash or kind or value to be received		
From Others	567,211	567,211
Less: Provision for doubtful advances	(567,211)	(567,211)
	<u>107,106,433</u>	<u>568,853,124</u>
<b>Schedule XI</b>		
<b>Other Current Assets</b>		
Prepaid expenses	13,900,075	17,778,404
Interest Accrued	306,364	463,023
	<u>14,206,439</u>	<u>18,241,427</u>
<b>Schedule XII</b>		
<b>Current Liabilities</b>		
For Purchases	81,503,138	99,436,221
For Expenses		
To subsidiaries	132,543,508	86,789,185
Others	152,495,710	127,147,483
	<u>366,542,356</u>	<u>313,372,889</u>
<b>Schedule XIII</b>		
<b>Provisions</b>		
Provision for Taxation	927,166	927,166
<b>Schedule XIV</b>		
<b>Profit &amp; Loss Account</b>		
Balance brought forward	-	688,094,392

**SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005**

	Year ended 31.03.2005 Rs.	Year ended 31.03.2004 Rs.
<b>Schedule XV</b>		
<b>Sales</b>		
Software Revenues (Licensing & Services)	747,454,380	434,929,734
Value Added Resale Software & Hardware Materials	364,361,927	314,964,264
Royalty	42,993,687	73,199,430
	<u>1,154,809,994</u>	<u>823,093,428</u>
<b>Schedule XVI</b>		
<b>Other Income</b>		
Interest Received (TDS Rs.29,920/-) (Previous year Rs.30,662/-)	30,782,886	24,514,646
Profit on sale of assets	310,556	1,470
Foreign Exchange Fluctuation	11,030,998	-
Rent Income	18,840,960	11,033,968
Dividend from Subsidiaries & Mutual Fund Units	7,899,224	357,785
Miscellaneous Income	4,142,586	179,311
	<u>73,007,210</u>	<u>36,087,180</u>
<b>Schedule XVII</b>		
<b>Employee Compensation &amp; Benefits</b>		
Salaries, Bonus etc.,	482,199,860	288,826,279
Gratuity & Superannuation Fund Contributions	16,253,834	14,037,168
Provident Fund Contributions	20,345,254	16,021,057
Staff Welfare	24,329,508	22,672,102
	<u>543,128,456</u>	<u>341,556,606</u>
<b>Schedule XVIII</b>		
<b>Sales &amp; Marketing Expenses</b>		
Advertisement & Sales Promotion	29,313,988	69,488,433
Handling, Packing & Forwarding	1,145,965	1,023,049
	<u>30,459,953</u>	<u>70,511,482</u>
<b>Schedule XIX</b>		
<b>Administrative &amp; Other Expenses</b>		
Consultancy Charges	6,832,037	13,783,273
Bank Charges	3,768,044	2,199,488
Insurance	2,149,761	1,942,762
Loss on sale of fixed assets	4,201,883	1,127,977
Communication Expenses	16,675,520	18,383,278
Power & Fuel	11,890,859	12,469,156
Printing & Stationery	3,560,562	3,270,384
Rates & Taxes	5,356,700	4,798,201
Rent	40,399,873	39,017,506
Repairs - Buildings	91,341	1,096,587
Repairs - Plant & Machinery	11,498,758	7,099,848
Repairs - Others	2,908,997	3,968,481
Travel & Conveyance	52,769,833	43,302,613
Stock Write off	-	18,916,915
Bad Debts Written off	3,559,350	18,040,944
Provision for Doubtful Debts	5,041,577	2,893,073
Foreign Exchange Fluctuation	-	43,472,368
Miscellaneous Expenses	13,602,876	12,645,283
	<u>184,307,971</u>	<u>248,428,137</u>
<b>Schedule XX</b>		
<b>Interest &amp; Finance Charges</b>		
Interest on loans taken for R&D activities	31,143,012	31,697,769
Interest for others		
Fixed Loans	1,216,252	1,503,062
Hire Purchase & Finance Charges	6,455,123	4,249,564
Others	74,998,236	82,058,635
	<u>82,669,611</u>	<u>87,811,261</u>
	<u>113,812,623</u>	<u>119,509,030</u>

## Schedule XXI

### SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

#### SIGNIFICANT ACCOUNTING POLICIES

##### **I. Basis of Preparation**

The financial statements are prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles (GAAP) and materially comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956. All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

##### **II. Revenue Recognition**

###### **A. Software and related services**

###### **i) License Fees**

License Fee revenue is recognized on delivery of the software.

###### **ii) Implementation Fees**

Implementation Contracts are either milestones based or time and material based.

In case of milestone contracts, revenue is recognised upon achievement of the milestones as per the terms of the contract.

In case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

###### **iii) Annual Maintenance Contract**

Revenue from Maintenance services is recognised on a pro-rata basis over the period of the contract.

###### **B. Value Added Resale Hardware & software**

Revenue from sales is recognised upon despatch of goods to customers.

###### **C. E-Commerce**

Revenue from the fixed price / fixed time frame contracts is recognised upon the achievement of specified milestones identified in the related contracts in accordance with the percentage of completion method.

###### **D. Other Income**

Interest on bank deposits is recognised on accrual basis.

##### **III. Fixed Assets and Depreciation**

###### **A. Tangible Assets**

Fixed Assets are capitalised at historical cost and includes freight, installation cost, finance cost, taxes and duties and other incidental expenses incurred during the installation stage.

Depreciation is charged on a pro-rata basis on the Straight Line Method as per the rates prescribed under Schedule XIV of the Companies Act, 1956.

Individual assets not exceeding Rs.5,000/- are depreciated in full in the year of purchase.

Assets acquired on Hire Purchase are capitalised at the gross value and interest thereon charged to Profit & Loss A/c.

In respect of Assets leased prior to 01.04.2001, the lease rentals paid during the year are charged to Profit & Loss A/c.

In respect of assets leased on or after 01.04.2001, the accounting treatment prescribed by Accounting Standard 19 on "Leases" is followed.

###### **B. Intangible Assets**

Costs incurred in the development of ERP product, together with repository of new business components, upon completion of the development phase, have been classified and grouped as "Product Software" under Fixed Assets.

Similarly, costs incurred in the development of technology platform framework, which would enable the company to provide solutions - both standard and customised – in an efficient manner, have been classified and grouped as "Technology Platform" under Fixed Assets, once the same is available for use.

The useful life of these assets is estimated as ten years and depreciation is charged accordingly.

##### **IV. Investments**

Long term investments are stated at cost and short term investments are valued at lower of cost and net realisable value. Diminution in value is provided for where the management is of the opinion that the diminution is of permanent nature.

##### **V. Inventories**

Inventories are valued at lower of cost and net realisable value. Cost includes cost incurred in bringing the inventories to their present location and condition and is determined based on FIFO method.

## VI. Foreign Currency Transactions

The functional currency of the Company is Indian Rupee.

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transaction. The monetary items denominated in the foreign currency at the year end are translated at the exchange rates prevailing on the date of the balance sheet or wherever forward contracts are booked, at the respective rates as per such forward contracts and the loss or gain arising out of such transactions is adjusted in the Profit & Loss A/c. Exchange difference in respect of foreign currency liabilities incurred for acquiring fixed assets is added to the cost of respective fixed assets.

## VII. Translation of Financial Statements of Foreign Branch

All income and expenditure transactions during the year are reported at a monthly moving average exchange rate for the respective periods. Monetary assets and liabilities are translated at the rate prevailing on the balance sheet date. Non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction and the balance in 'head office account' whether debit or credit, is reported at the amount of the balance in the 'branch account' in the books of the head office, after adjusting for unresponded transactions. Net gain / loss on foreign currency translation is recognised in the Profit & Loss A/c.

## VIII. Retirement Benefits

### Gratuity

In accordance with the Indian law, the company provides for gratuity, a defined benefit retirement plan ("The Gratuity Plan"), covering all employees. These employees are covered under the Group Gratuity Scheme of the LIC. The Gratuity, is charged to Profit & Loss A/c on the basis of year's premium, computed by Life Insurance Corporation of India.

### Superannuation

Apart from being covered under the Gratuity Plan described above, the senior officers of the Company are participants in a defined contribution benefit plan maintained by the Life Insurance Corporation of India. The plan is termed as superannuation plan to which the company makes contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its contributions.

### Provident Fund

In addition to the above benefits, all employees receive benefits from a Provident fund, which is a defined contribution plan. Both the employee and employer each make monthly contributions to the plan equal to 12% of the covered employee's basic salary. These contributions are made to the employees' provident fund maintained by the Government of India. The Company has no further obligations under the plan beyond its monthly contributions.

### Leave Encashment

Leave encashment liability ascertained by actuarial valuation is provided in the books of accounts.

## IX. Earnings per share

Profit after tax is adjusted for prior period adjustments and divided by the number of equity shares outstanding as on the Balance Sheet date.

## X. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date, there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

## NOTES ON ACCOUNTS

### 1. Contingent Liabilities

	As at 31.03.2005	(Rs. in lacs) As at 31.03.2004
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	5.56	129.17
(b) Bank Guarantees	511.12	551.67
(c) Letters of Credit	332.13	593.83
(d) Octroi Liability	Nil	29.02
(e) Income Tax Liability (Disputed – Pending before the First Appellate Authority)	1,756.13	1,756.13

## 2. Secured Loans

Borrowings from the banks for working capital amounting to Rs.450.27 lacs (Previous year Rs.940.00 lacs) are secured by a pari-passu first charge on current assets including stocks and book debts and by a pari-passu second charge on the fixed assets of the Company except assets given as exclusive charge and assets acquired on hire purchase or lease.

Balance borrowings from the banks for working capital amounting to Rs.1,566.25 lacs (Previous year Rs.1,513.56 lacs) are secured by a pari-passu second charge on current assets including stocks and book debts and by a pari-passu second charge on the fixed assets of the Company except assets given as exclusive charge and assets acquired on hire purchase or lease.

Term Loans from Housing Development Finance Corporation Limited and Sundaram Home Finance Ltd., represent a Line of Credit to the company towards provision of housing loans to the employees which is secured by an equitable mortgage by way of deposit of title deeds of the properties acquired by the employees.

Borrowings from HDFC Bank Limited (under Banks / FIs) amounting to Rs.443.33 lacs (Previous year Rs.665.00 lacs) are secured by an exclusive charge on the Land at Santhome, Chennai.

Borrowings from Standard Chartered Bank (under Banks / FIs) amounting to Rs.2,500.00 lacs (Previous year Nil) are secured by a first charge on the fixed assets of the Company and supported by a Corporate Guarantee from Madras Cements Limited.

Assets acquired under Hire Purchase Finance are hypothecated to the Hire Purchase Companies as security.

Of the total unsecured loans of Rs.10,275.00 lacs (Previous year Rs.8,805.50 lacs), Rs.6,200.00 lacs (Previous year Rs.7,775.50 lacs) are supported by a Corporate Guarantee from Madras Cements Limited and Rs.2,575.00 lacs (Previous year Rs.500.00 lacs) are supported by a Corporate Guarantee from Ramco Industries Limited.

## 3. Current Liabilities

There are no outstandings exceeding a sum of Rs.1.00 lac to Small Scale Industrial undertakings, for more than 30 days.

## 4. Additional information as required by Schedule VI of the Companies Act, 1956

	Year ended 31.03.2005	Year ended 31.03.2004	(Rs. in lacs)	
<b>A) Sales:</b>				
a) Ramco e.Applications and other Software & Services	7,178.16	4,453.45		
b) Enterprise Networking Solutions	4,369.94	3,777.48		
<b>B) CIF Value of Imports</b>				
Raw Materials	2,407.74	2,294.50		
Components & spare parts	0.36	-		
Capital goods	66.57	29.78		
<b>TOTAL</b>	<b>2,474.67</b>	<b>2,324.28</b>		
<b>C) Expenditure in Foreign Currency on account of</b>				
Professional / consultation fees	42.08	171.98		
Traveling	185.72	173.31		
Patents	125.64	-		
Others	101.45	220.99		
<b>TOTAL</b>	<b>454.89</b>	<b>566.28</b>		
<b>D) Number of Non-resident shareholders</b>	<b>37</b>	<b>42</b>		
<b>E) Value of consumption of imported and Indigenous raw materials and spare parts</b>				
<b>Raw Materials</b>	<b>Value (Rs. In lacs)</b>	<b>%</b>	<b>Value (Rs. In lacs)</b>	<b>%</b>
Imported	2,539.54	80.64	2,179.68	86.08
Indigenous	609.51	19.36	352.54	13.92



	Year ended 31.03.2005	(Rs. in lacs) Year ended 31.03.2004
<b>F) Earnings in Foreign Exchange</b>		
Export of goods & Services on F.O.B basis	5,121.14	2,057.70
Royalty	429.94	731.99
Interest	270.12	209.43
Dividend	77.71	—
Others	13.45	233.11
<b>TOTAL</b>	<u>5,912.36</u>	<u>3,232.23</u>

**5. Fees paid to Statutory Auditors  
(included in consultancy charges)**

(a) Statutory Audit	6.61	4.86
(b) Tax Audit	0.99	0.97

**6. Managerial Remuneration**

In the Extraordinary General Meeting of the Company held on 4<sup>th</sup> April 2005, the shareholders have approved the reappointment of Shri P.R. Venketrama Raja, as Vice Chairman and Managing Director (VCMD) for a period of five years with effect from 23<sup>rd</sup> March 2005, on the same terms and conditions as were applicable before the reappointment. The Company has made an application to the Central Government for its approval, which is awaited. Pending receipt of this approval, remuneration has not been paid from 23<sup>rd</sup> March 2005, though provision has been made in the accounts towards this for the period 23<sup>rd</sup> March 2005 to 31<sup>st</sup> March 2005.

Computation of Profits as per Sec. 349 of the Companies Act, 1956 for remuneration to VCMD for the year ended 31.03.2005:

Loss as per P&L account		(Rs.) (403,602,377)
Add: Directors Sitting Fees	267,500	
Vice Chairman & Managing Director's Remuneration	<u>1,274,400</u>	
		<u>1,541,900</u>
Loss arrived for the purpose of Managerial Remuneration		(402,060,477)
3% of the above – Rs. Nil		

The Company's VCMD is also the Vice Chairman & Managing Director of Ramco Industries Limited. As per the provisions of the Companies Act, 1956 read with Schedule XIII the total remuneration payable should not exceed maximum limit admissible from any one of the Companies of which he is the Managing Director.

The details of his remuneration, paid by way of monthly remuneration as per the terms of appointment, are given below:

	2004-05	2003-04
Basic pay	7,20,000	7,20,000
House Rent Allowance	3,60,000	3,60,000
Contribution to Provident Fund	86,400	86,400
Contribution to Superannuation Fund	1,08,000	1,08,000
Total	<u>12,74,400</u>	<u>12,74,400</u>

This remuneration has been adjusted in the overall maximum remuneration of **Rs.11,783,101/-** (Previous Year Rs. 11,796,999/-) payable by Ramco Industries Limited at 3% of its net profits computed in accordance with the provisions of the said Act.

**7. Taxation**

No provision for current tax for the Company (including its Branches at United Kingdom and Germany) has been made in view of absence of taxable profits.

**8. Deferred Tax**

In the perception of the Company, the provisioning for deferred tax asset / liability does not arise.

**9. Research and Development**

**a) R&D Accounts:**

Profit and Loss Account, Balance Sheet and Schedules, based on separate books maintained in respect of the Research & Development Activities, are enclosed.

**b) R&D Asset classification :**

In line with the Company's stated policy on Intangible Assets, the research and development efforts are classified and capitalised into "Product Software" and "Technology Platform" as below:

(Rs. in lacs)

Total research & development expenditure capitalised during the year, as per Schedules 6 to R&D Accounts	1,818.84
Add : Transfer from opening Capital Work in progress	856.30
	<u>2,675.14</u>
of the above,	
Shown as "Technology Platform" under Fixed Assets	1,445.86
Shown as "Product Software" under Fixed Assets	1,229.28
	<u>2,675.14</u>

**10. Sundry Debtors**

Sundry Debtors include dues from overseas subsidiaries as given below:

S.No	Subsidiary	Outstanding as on 31.03.2005	Maximum amount due during the year
A	Ramco Systems Corporation, USA	Rs.367.40 lacs (Previous year Rs. 3,473.08 lacs)	Rs.4,163.17 lacs (Previous year Rs. 6,854.02 lacs)
B	Ramco Systems Limited, Switzerland	Rs. Nil (Previous year Rs. 2,958.57 lacs)	Rs.4,810.07 lacs (Previous year Rs. 2,958.57 lacs)
C	Ramco Systems Sdn. Bhd., Malaysia	Rs. Nil (Previous year Rs. 8.85 lacs)	Rs.20.17 lacs (Previous year Rs. 77.45 lacs)
D	Ramco Systems Pte Ltd., Singapore	Rs. Nil (Previous year Rs. 523.83 lacs)	Rs.670.97 lacs (Previous year Rs. 523.83 lacs)
E	RSL Enterprise Solutions (Pty.) Ltd., South Africa	Rs.1,335.09 lacs (Previous year Rs. 174.81 lacs)	Rs.1,335.09 lacs (Previous year Rs. 174.81 lacs)
	Total	Rs. 1,702.49 lacs (Previous year Rs. 7,139.14 lacs)	

Out of the above, subordinated dues amounted to Rs. Nil (Previous year Rs. 7,139.14 lacs) (Please also refer note no. 19)

**11. Loans & Advances – Advances recoverable in cash or in kind or value to be received**

Advances recoverable from subsidiaries comprise of the loans advanced to the following subsidiaries:

(Rs. In lacs)

Subsidiary	Outstanding as on 31.03.2005	Outstanding as on 31.03.2004
Ramco Systems Corporation, USA	Nil	3,380.94
Ramco Systems Limited, Switzerland	Nil	1,443.39
RSL Enterprise Solutions (Pty) Ltd., South Africa	Nil	16.63
Total	Nil	<u>4,840.96</u>

Out of the above, subordinated dues amounted to Rs. Nil (Previous year Rs. 4,840.96 lacs) (Please also refer Note o. 19)

**12. Equity and Share Premium**

**a) Preferential Issue:**

The shareholders, in the Extraordinary General Meeting of the Company, held on 24<sup>th</sup> December 2003, approved the issue of the following equity shares to the named promoters on a preferential basis, at a price of Rs. 331 per share (face value per share Rs.10 and premium per share Rs.321), aggregating in all to Rs. 2,023.90 lacs:

i) Madras Cements Ltd.	385,349 equity shares aggregating to Rs. 1,275. 51 lacs
ii) Ramco Industries Ltd.	60,000 equity shares aggregating to Rs. 198.60 lacs
iii) Shri. P.R. Ramasubrahmaneya Rajha	15,100 equity shares aggregating to Rs. 49.98 lacs
iv) Shri. P.R. Venketrama Raja	151,100 equity shares aggregating to Rs. 499.81 lacs

**Utilization of the proceeds from the Preferential Issue:**

The proceeds of the issue were fully used for corporate actions like capital expenditure, augmenting working capital, replacing high cost debts and general corporate purposes.

**b) Rights Issue of 2003:**

Out of the calls in arrears from members holding 111,500 shares amounting to Rs.11,150,000/- as on 31<sup>st</sup> March 2004, calls in respect of 1,228 shares were remaining unpaid. These 1,228 shares were forfeited on 23<sup>rd</sup> February 2005.

**Utilisation of Rights Issue proceeds:**

(Rs. in lacs)

Particulars	Projection as per Letter of Offer	Actuals 2003-04	Actuals 2004-05	Total
<b>Requirement of Funds</b>				
Working Capital	6,670.00	3,948.46	2,360.27	6,308.73
Research & Development	2,350.00	3,255.89	-	3,255.89
Marketing Development	1,410.00	481.14	-	481.14
Capital Expenditure	600.00	506.42	-	506.42
Issue Expenses	200.00	254.61	-	254.61
<b>Total</b>	<b>11,230.00</b>	<b>8,446.52</b>	<b>2,360.27</b>	<b>10,806.79</b>
<b>Means of Finance</b>				
Rights Issue Proceeds	7,745.00	7,633.52	110.27	7,743.79
Reduction of borrowing in 03-04 with Right Issue proceeds and re-drawal in 04-05	-	(2,250.00)	2,250.00	-
Term Loans / Short Term Loans / Working Capital Loans	3,485.00	3,063.00	-	3,063.00
<b>Total</b>	<b>11,230.00</b>	<b>8,446.52</b>	<b>2,360.27</b>	<b>10,806.79</b>

**c) Employee Stock Option Plan 2000 (ESOP 2000) and Employee Stock Option Scheme 2003 (ESOS 2003):**

Pursuant to the Company's ESOP 2000 and ESOS 2003 plans, employees have exercised their options and were allotted shares on 28<sup>th</sup> March 2005 as per the details given below:

Description	No. of options Exercised	Exercise price per option Rs.	Face value per share Rs.	Premium per share Rs.
ESOP 2000	6,650	227	10	217
ESOS 2003	13,750	284	10	274
<b>Total</b>	<b>20,400</b>			

**d) Movement in share capital and share premium is given below:**

(Rs. in lacs)

Increase on account of	Share capital	Share premium
Opening balance	1,159.66	31,103.75
Preferential Issue	61.14	1,962.75
Realization of calls in arrears in respect of Rights Issue 2003	5.58	105.93
Shares forfeited during the year	(0.06)	(1.17)
Exercise of options under ESOP 2000 Scheme	0.67	14.43
Exercise of options under ESOS 2003 Scheme	1.38	37.68
Closing balance	1,228.36	33,223.36
Less: Adjustments as per Scheme of Arrangement (please refer Note No.19):		
a) Trade Receivables from subsidiaries		8,802.04
b) Accumulated Loss		11,076.69
<b>Net Balance</b>		<b>13,344.63</b>

**13. Earnings per share (EPS):**

		Year ended 31.03.2005	Year ended 31.03.2004
Profit / (Loss) after tax (Rs.) and prior period expenses	(A)	<b>(419,574,787)</b>	(332,674,192)
Weighted average Equity Shares outstanding	(B)	<b>11,760,080</b>	8,674,268
EPS - Basic & diluted (Rs.) (per share of Rs.10/- each)	(A/B)	<b>(35.68)</b>	(38.35)

## Ramco Systems Limited, India

14. The Company's shares are listed on Madras Stock Exchange Limited, Bombay Stock Exchange Ltd., Mumbai and The National Stock Exchange of India Limited. The Listing Fees for the financial year 2005-2006 have been paid.
15. The Company has branches in United Kingdom and Germany. The United Kingdom branch has made a turnover of Rs.315.23 lacs for the year ended 31<sup>st</sup> March 2005 (previous year Rs.346.42 lacs) and the Germany branch has made a turnover of Rs.7.61 lacs for the year ended 31<sup>st</sup> March 2005 (previous year Rs.24.21 lacs).
16. Amounts recovered from Subsidiaries towards expenses incurred on account of on-site employees to the extent of Rs.582.89 lacs (Previous year Rs.332.20 lacs) have been netted off from expenses.

### 17. Related Party Transactions:

As per Accounting Standard (AS 18) issued by the Institute of Chartered Accountants of India, the Company's related parties are given below:

#### a. Subsidiary Companies ("Subsidiaries"):

1. Ramco Systems Corporation, USA,
2. Ramco Systems Ltd., Switzerland,
3. Ramco Systems Pte Ltd., Singapore,
4. Ramco Systems Sdn Bhd., Malaysia,
5. RSL Enterprise Solutions (Pty) Ltd., South Africa,
6. Ramco Infotech Solutions Ltd., India.

#### b. Key Management Personnel and Relatives ("KMP"):

1. Shri.P.R.Ramasubrahmaneya Rajha
2. Shri.P.R.Venketrama Raja

#### c. Enterprises over which the above persons exercise significant influence and with which the company has transactions during the year ("Group"):

1. Rajapalayam Mills Ltd.,
2. Madras Cements Ltd.,
3. Ramco Industries Ltd.,
4. The Ramaraju Surgical Cotton Mills Ltd.,

The Company's transactions with the above Related Parties are given below:

Current Year Type of transaction		Subsidiaries	Group	Rs. KMP
Export of software & Services	Transaction during the year	515,425,121	—	—
	Outstanding as on 31.03.05	170,248,764	—	—
Sale of goods & services	Transaction during the year	—	10,391,010	—
	Outstanding as on 31.03.05	—	210,523	—
Royalty	Transaction during the year	42,993,686	—	—
	Outstanding as on 31.03.05	—	—	—
Purchase of Assets	Transaction during the year	—	219,927	—
	Outstanding as on 31.03.05	—	9,403	—
Sale of Assets	Transaction during the year	—	—	—
	Outstanding as on 31.03.05	—	—	—
Cost of services availed	Transaction during the year	73,696,604	—	—
	Outstanding as on 31.03.05	132,543,508	—	—
Loan availed	Transaction during the year	—	597,000,000	—
	Outstanding as on 31.03.05 (including interest due)	—	150,000,000	—
Loan given	Transaction during the year	1,491,500	—	—
	Outstanding as on 31.03.05 (including interest due)	—	1,400,500	—
Investments	Transaction during the year	500,000	—	—
	Outstanding as on 31.03.05	—	—	—
Interest	Expenses	—	8,868,137	—
	Income	27,012,208	—	—
Preferential Issue of shares	Transaction during the year	—	147,410,519	54,979,100

Previous Year				Rs.
Type of transaction		Subsidiaries	Group	KMP
Export of software & Services	Transaction during the year	194,943,385	—	—
	Outstanding as on 31.03.04	390,049,759	—	—
Sale of goods & services	Transaction during the year	—	20,228,039	—
	Outstanding as on 31.03.04	—	3,703,214	—
Royalty	Transaction during the year	73,199,430	—	—
	Outstanding as on 31.03.04	323,863,866	—	—
Purchase of Assets	Transaction during the year	—	—	—
	Outstanding as on 31.03.04	—	—	—
Sale of Assets	Transaction during the year	—	—	—
	Outstanding as on 31.03.04	—	—	—
Cost of services availed	Transaction during the year	3,725,229	—	—
	Outstanding as on 31.03.04	47,286,624	—	—
Loan availed	Transaction during the year	—	330,000,000	—
	Outstanding as on 31.03.04 (including interest due)	—	66,889,341	—
Loan given	Transaction during the year	356,024,553	—	—
	Outstanding as on 31.03.04 (including interest due)	484,096,137	1,400,500	—
Investments	Transaction during the year	701	—	—
	Outstanding as on 31.03.04	39,502,560	—	—
Interest	Expenses	—	9,647,384	—
	Income	20,943,422	—	—

**Notes:**

- Trade receivables of Rs.8,802.04 lacs due from certain subsidiaries have been set off during the year against share premium account and loan and interest of Rs.4,670.41 lacs due from certain subsidiaries has been converted into investments, as explained in Note No. 19.
- Details of remuneration paid to Shri P.R. Venketrama Raja are furnished in Note No.6 above.
- Details of corporate guarantee given by the Group are given in Note No. 2 above.

**18. Segmental Revenue**

**Primary Segment**

In accordance with Accounting Standard 17, issued by the Institute of Chartered Accountants of India, the company has determined its primary operating segments as:

**Product Software and Related Services**

Engaged in the development, licensing, implementation and maintenance of software solutions.

**Other Software Related Services**

Engaged in providing professional services and implementing projects, and consisting of two sub-segments, being (i) Project and Other Software Services and (ii) CRM and Other IT Services.

**Network Solutions**

Engaged in the development and sale of network and communication hardware, security software and other related services.

These operating segments were identified from the structure of the Company's internal organization.

The revenues and results of each of the primary segments are given below:

(Rs. Lacs)

Segment Revenue - Primary Segments	For the year ended March 31,	
	2005	2004
<b>1. Segment Revenue</b>		
A.Product Software and related Services	4,904.16	3,019.33
B. 1. Project and Other Software Services	2,040.65	1,315.15
B. 2. CRM and Other IT Services	233.35	118.97
<b>B. Other Software Related Services Total</b>	<b>2,274.00</b>	<b>1,434.12</b>
C.Secured Convergent Networking Solutions	4,369.94	3,777.48
<b>Total Revenue</b>	<b>11,548.10</b>	<b>8,230.93</b>
Less: Inter Segment Revenue	-	-
<b>Net Sales / Income from Operations</b>	<b>11,548.10</b>	<b>8,230.93</b>
<b>2. Segment Profit / (Loss) before tax and interest</b>		
A.Product Software and related Services	1,354.38	668.01
B. 1. Project and Other Software Services	718.22	66.49
B. 2. CRM and Other IT Services	20.85	(32.00)
<b>B. Other Software Related Services Total</b>	<b>739.07</b>	<b>34.49</b>
C.Secured Convergent Networking Solutions	118.30	75.54
<b>Total</b>	<b>2,211.75</b>	<b>778.04</b>
Less: Interest	1,138.13	1,195.09
Less: Extra ordinary items	2,749.79	-
Less: Other unallocable expenditure net of unallocable income	2,359.86	2,909.69
<b>3. Profit/(Loss) before tax</b>	<b>(4,036.03)</b>	<b>(3,326.74)</b>

**Secondary Segment**

The company's secondary reporting segment is the geographies from which the revenues accrue and they have been identified as:

India and Middle East region, consisting of India and the Middle East, Africa mainly consisting of South Africa.

Asean, consisting of Malaysia, Singapore, Thailand, Philippines and other countries in the region.

Europe, consisting of United Kingdom, Switzerland, Germany and Benelux countries.

America, mainly consisting of North and South America and rest of the world.

**Our secondary segment revenues from the geographies are given below:**

SECONDARY SEGMENT REPORTING		For the Year Ended 31.03.2005				(Rs. Lacs)
Particulars	India & Middle East	Asean	Europe	America	Total	
Segment Revenue						
A. Product Software and Related Services	1,810.79	191.32	1,194.16	1,707.89	4,904.16	
B. 1. Project and Other Software Services	1,193.94	18.70	738.22	89.79	2,040.65	
B. 2. CRM and Other IT Services	109.63	5.20	-	118.52	233.35	
C. Network Solutions	4,356.49	13.45	-	-	4,369.94	
Total Revenue	7,470.85	228.67	1,932.38	1,916.20	11,548.10	
Less: Inter Segment Revenue	-	-	-	-	-	
<b>Net Sales / Income from Operations</b>	<b>7,470.85</b>	<b>228.67</b>	<b>1,932.38</b>	<b>1,916.20</b>	<b>11,548.10</b>	
SECONDARY SEGMENT REPORTING		For the Year Ended 31.03.2004				(Rs. Lacs)
Particulars	India & Middle East	Asean	Europe	America	Total	
Segment Revenue						
A. Product Software and Related Services	1,299.95	434.40	386.11	898.88	3,019.34	
B. 1. Project and Other Software Services	564.83	48.10	673.94	28.27	1,315.14	
B. 2. CRM and Other IT Services	85.56	-	-	33.41	118.97	
C. Network Solutions	3,667.87	109.61	-	-	3,777.48	
Total Revenue	5,618.21	592.11	1,060.05	960.56	8,230.93	
Less: Inter Segment Revenue	-	-	-	-	-	
<b>Net Sales / Income from Operations</b>	<b>5,618.21</b>	<b>592.11</b>	<b>1,060.05</b>	<b>960.56</b>	<b>8,230.93</b>	

The company believes that it is not practical to provide details of segmental assets (except those identified as related to Research and Development activities and to units located at the Software Technology Park) as they are used interchangeably among segments. Significant liabilities contracted are based on the company's requirements on the whole and are not identifiable to any of the reportable segment and as such have not been disclosed separately.

#### 19. Scheme of Arrangement and related matters :

The shareholders of the Company, in the Extraordinary General Meeting convened under the directions of the Hon'ble High Court of Madras, pursuant to an application made by the Company and held on the 6<sup>th</sup> June 2005, approved the implementation by the Company of a scheme of arrangement, whereby, the accumulated losses of the Company as it would appear as on 31<sup>st</sup> March 2005 and the amounts due to the Company from its overseas subsidiaries viz., Ramco Systems Corporation, USA, Ramco Systems Ltd., Swiss and Ramco Systems Pte Ltd., Singapore amounting to an amount of Rs. 88.02 crs., both aggregating together upto an amount not exceeding Rs 200 crs., would be set off against the share premium account. The scheme was duly approved by the Hon'ble High Court of Madras vide its order dated 4<sup>th</sup> August 2005. The Company has also obtained necessary approvals from its secured creditors and other statutory authorities that were required for carrying out the implementation of the said scheme.

Pursuant to the receipt of necessary approvals, the Company has set off the following amounts against the share premium account:

	(Rs.Crores)
1. Accumulated losses as on 31 <sup>st</sup> March 2005 (inclusive of the losses for the current year ended 31 <sup>st</sup> March 2005)	110.77
2. Amounts due from its overseas subsidiaries, towards royalties, service charges and reimbursement of expenses as below:	
a. Ramco Systems Corporation -USA	37.96
b. Ramco Systems Ltd., Switzerland	43.20
c. Ramco Systems Pte. Ltd., Singapore	<u>6.86</u>
Sub total	<u>88.02</u>
<b>Total</b>	<b>198.79</b>

In addition to the waiver of dues referred under item (2) above, the Company also converted loans advanced to and due from Ramco Systems Ltd, Switzerland to the extent of Rs.15.30 crs and Ramco Systems Corporation, USA to the extent of Rs.31.40 crs., aggregating together to an amount of Rs.46.70 crs., into equity shares of the respective subsidiaries. Pursuant to an approval from the Reserve Bank of India, the subsidiaries referred above also carried out the financial restatements, in accordance with and in compliance with the local regulations, of the respective accounts by setting off their accumulated losses appearing as on 31<sup>st</sup> March 2005, against the equity share capital / share premium as applicable, without effecting any extinguishments in the number of shares, as detailed below:

#### a) Ramco Systems Corporation, USA:

Particulars	No. of shares	Total Value (USD)
Share capital as on 31.03.05	125,970,800	12,502,080
Add: Capitalisation of Loan due to the parent company	71,593,750	7,159,375
Sub-total	197,564,550	19,661,455
Less: Set off of accumulated losses		(16,790,130)
<b>Final Share Capital as on 31.03.05</b>	<b>197,564,550</b>	<b>2,871,325</b>

#### b) Ramco Systems Ltd., Swiss:

Particulars	No. of shares	Total Value (CHF)
Share capital as on 31.03.05	9600	9,600,000
Add: Capitalisation of Loan due to the parent company	1,390,400	4,436,363
Sub-total	1,400,000	14,036,363
Less: Set off of accumulated losses		(11,143,320)
<b>Final Share Capital as on 31.03.05</b>	<b>1,400,000</b>	<b>2,893,043</b>
(Inclusive of share premium of CHF 1,493,043)		

## Ramco Systems Limited, India

The market development phase of the business in both the above subsidiaries is good in the opinion of the management of the Company and accordingly the restatements made in the financial statements of the respective subsidiaries, to facilitate a proper compliance as per the local regulations and also to provide a clear understanding of the same (to the present / prospective customers and financial institutions in the respective geographies) do not reflect a diminution in the value of the investments made by the Company in the respective subsidiaries. Accordingly, the difference in the value of investments in the equity capital of the subsidiaries as appearing in the books of accounts of the Company and the corresponding amounts of the equity capital in the books of accounts of the respective subsidiaries is reflected as "Goodwill" in the "Consolidated Financial Statement" of the Company and its subsidiaries prepared in accordance with AS 21.

### 20. Note on extraordinary items:

Expenses under the head "Extraordinary Items" represent the value of asset impairment amounting to Rs. 2,354.76 lacs (previous year Nil) on account of investment in the Product Software R&D and other recoverable loans & advances, which in the opinion of the Company, needs to be provided in accordance with Accounting Standard-28 and diminution in the value of investment amounting to Rs. 395.03 lacs (previous year Nil) in accordance with Accounting Standard 13, issued by The Institute of Chartered Accountants of India.

21. The figures have been rounded off to the nearest rupee and previous year's figures have been regrouped / recast wherever necessary to make them comparable with that of the current year.

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As per our Report Annexed  
For **CNGSN & Associates**  
Chartered Accountants

**P. R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**S.S. RAMACHANDRA RAJA**

**N.K. SHRIKANTAN RAJA**

**C.N. GANGADARAN**  
Partner

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**V. JAGADISAN**  
Directors

Place: Chennai  
Date : 29th October, 2005



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2005**

A. Cash Flow From Operating Activities	Year ended 31.03.2005		Year ended 31.03.2004	
	Rs.	Rs.	Rs.	Rs.
<b>Net Profit / (Loss) before tax - after prior year expenditure</b>		<b>(419,574,787)</b>		<b>(332,674,192)</b>
Add: Interest		<b>113,812,623</b>		<b>119,509,030</b>
		<b>(305,762,164)</b>		<b>(213,165,162)</b>
Add: Depreciation and Amortisation		<b>169,826,781</b>		<b>158,627,173</b>
Add: Extraordinary Expenses		<b>274,978,586</b>		<b>-</b>
		<b>139,043,203</b>		<b>(54,537,989)</b>
Less: Interest Received	<b>30,782,886</b>		24,514,646	
Profit/(Loss) on sale of assets, net	<b>(3,891,327)</b>		(1,126,507)	
Miscellaneous Income	<b>41,913,768</b>		11,571,064	
		<b>68,805,327</b>		<b>34,959,203</b>
<b>Operating Profit before Working Capital Changes</b>		<b>70,237,876</b>		<b>(89,497,192)</b>
Less: Increase / Decrease in Current assets:				
Trade and Other receivables	<b>402,766,738</b>		441,754,306	
Inventories	<b>3,820,645</b>		(20,056,343)	
Other current assets [other than Cash and Bank]	<b>(4,034,988)</b>	<b>402,552,395</b>	4,066,787	425,764,750
		<b>(332,314,519)</b>		<b>(515,261,942)</b>
Add: Increase / Decrease in Current Liabilities:				
Trade Payables & Taxes	<b>(15,056,713)</b>		1,726,900	
Bank Borrowings	<b>(43,704,157)</b>	<b>(58,760,870)</b>	(24,334,824)	(22,607,924)
<b>Cash generated from operations</b>		<b>(391,075,389)</b>		<b>(537,869,866)</b>
Interest payments		<b>113,812,623</b>		<b>119,509,030</b>
<b>Net Cash (used in) / from operating activities</b>		<b>(504,888,012)</b>		<b>(657,378,896)</b>
<b>B. Cash Flow from Investing Activities:</b>				
Purchase of Fixed assets - for R&D activities	<b>(3,269,215)</b>		(9,070,384)	
Purchase of Fixed assets - for Others	<b>(57,843,863)</b>		(41,571,623)	
Investment in R&D activities	<b>(181,883,985)</b>		(282,437,979)	
Net Investment in Companies / Mutual Funds	<b>39,500,000</b>		(40,000,701)	
Miscellaneous Expenditure-Deferred Revenue Expenditure	<b>-</b>	<b>(203,497,063)</b>	22,397,273	(350,683,414)
Less: Sale of fixed assets	<b>5,026,527</b>		2,406,934	
Interest received	<b>30,782,886</b>		24,514,646	
Miscellaneous Income	<b>41,913,768</b>		11,571,064	
Profit / (Loss) on sale of assets, net	<b>(3,891,327)</b>	<b>73,831,854</b>	(1,126,507)	37,366,137
<b>Net cash (used in) / from Investing Activities</b>		<b>(129,665,209)</b>		<b>(313,317,277)</b>
<b>C. Cash Flow from Financing Activities</b>				
Proceeds from Issue of Share Capital	<b>218,831,361</b>		740,875,734	
Proceeds from secured borrowings	<b>251,710,731</b>		-	
Proceeds from unsecured borrowings-for R&D activities	<b>190,800,000</b>		243,800,000	
Proceeds from unsecured borrowings-for Others	<b>413,700,000</b>	<b>1,075,042,092</b>	156,200,000	1,140,875,734
Less: Repayment of finance Liabilities	<b>24,898,650</b>		4,571,416	
Repayment of unsecured borrowings	<b>457,550,000</b>	<b>482,448,650</b>	140,000,000	144,571,416
<b>Net Cash from financing activities</b>		<b>592,593,442</b>		<b>996,304,318</b>
<b>Net Increase / (Decrease) in cash and cash equivalents</b>		<b>(41,959,779)</b>		<b>25,608,145</b>
<b>Cash and Cash equivalents as on 01.04.2004</b>	<b>125,050,713</b>		99,442,568	
<b>Cash and Cash equivalents as on 31.03.2005</b>	<b>83,090,934</b>	<b>(41,959,779)</b>	125,050,713	25,608,145

As per our Report Annexed  
For **CNGSN & Associates**  
Chartered Accountants

**P. R. RAMASUBRAHMANEYA RAJHA**  
Chairman

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**N.K. SHRIKANTAN RAJA**

**C.N. GANGADARAN**  
Partner

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**V. JAGADISAN**  
Directors

Place: Chennai  
Date : 29th October, 2005

Research and Development Activities (Refer Sl.No.9 of Notes on Accounts)

BALANCE SHEET AS AT 31ST MARCH 2005

	Schedule	As at 31.03.2005	As at 31.03.2004
I. SOURCES OF FUNDS		Rs.	Rs.
<b>1. Loan Funds</b>			
Unsecured Loans		682,500,000	491,700,000
<b>2. Head Office Contra Account</b>		1,240,727,768	1,208,673,188
<b>TOTAL</b>		<u>1,923,227,768</u>	<u>1,700,373,188</u>
<b>II. APPLICATION OF FUNDS:</b>			
<b>1. Fixed Assets</b>	<b>1</b>		
Gross Block		1,724,593,404	1,592,698,906
Less : Depreciation		<u>533,597,100</u>	<u>405,933,227</u>
Net Block		<u>1,190,996,304</u>	<u>1,186,765,679</u>
Capital Work in progress		-	85,630,187
<b>2. Current Assets, Loans &amp; Advances</b>			
Other Current Assets		<u>356,250</u>	1,000,068
		<b>356,250</b>	<u>1,000,068</u>
<b>Less: Current Liabilities and Provisions</b>		<u>5,796,320</u>	4,164,615
		<b>5,796,320</b>	<u>4,164,615</u>
<b>Net Current Assets</b>		<u>(5,440,070)</u>	<u>(3,164,547)</u>
<b>3. Revenue Expenditure relating to Research</b>	<b>2</b>	737,671,534	431,141,869
<b>TOTAL</b>		<u>1,923,227,768</u>	<u>1,700,373,188</u>

As per our Report Annexed  
For **CNGSN & Associates**  
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**V. JAGADISAN**  
Directors

Place: Chennai  
Date : 29th October, 2005

**Research and Development Activities (Refer Sl.No.9 of Notes on Accounts)**

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005**

	<b>Schedule</b>	<b>Year ended 31.03.2005 Rs.</b>	<b>Year ended 31.03.2004 Rs.</b>
<b>EXPENDITURE</b>			
Employee Compensation & Benefits	<b>3</b>	<b>2,083,226</b>	2,741,631
Administrative & Other Expenses	<b>4</b>	<b>6,750,665</b>	8,711,239
Interest & Finance Charges	<b>5</b>	<b>31,143,012</b>	31,697,769
Depreciation - on Technology Platform & Product Software		<b>114,870,022</b>	48,535,000
- on other R&D fixed assets		<b>26,682,740</b>	30,293,124
Amortisation of Product Research and Development Expenditure		-	56,800,000
Product Software Asset Impairment		<b>125,000,000</b>	-
<b>Total Expenditure</b>		<b>306,529,665</b>	<b>178,778,763</b>

As per our Report Annexed  
For **CNGSN & Associates**  
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**V. JAGADISAN**  
Directors

Place: Chennai  
Date : 29th October, 2005

Rs.

## Schedule 1 - Fixed Assets

Asset Description	Gross Block			Depreciation Block			Net block			
	As at 01.04.2004	Additions	Withdrawals	As at 31.03.2005	upto 01.04.2004	For the year	Withdrawals	up to 31.03.2005	As at 01.04.2004	As at 31.03.2005
Building	121,513,175	-	-	121,513,175	30,324,536	4,058,540	-	34,383,076	91,188,639	87,130,099
Plant & Machinery	232,300,864	3,032,550	-	235,333,414	191,784,982	15,455,542	-	207,240,524	40,515,882	28,092,890
EDP	37,414,625	236,665	-	37,651,290	21,552,962	58,297	-	21,611,259	15,861,663	16,040,031
Software	3,531,073	-	-	3,531,073	2,509,038	189,179	-	2,698,217	1,022,035	832,856
Others	485,350,000	144,586,057 *	-	629,936,057	97,070,000	57,098,019	-	154,168,019	388,280,000	475,768,038
Technology Platform	577,720,026	122,928,115 *	138,888,889	561,759,252	-	57,772,003	13,888,889	43,883,114	577,720,026	517,876,138
Product Software										
Furniture										
Furniture	54,368,620	-	-	54,368,620	25,894,738	3,392,734	-	29,287,472	28,473,882	25,081,148
Office Equipment	7,146	-	-	7,146	4,126	340	-	4,466	3,020	2,680
Electrical Items	80,493,377	-	-	80,493,377	36,792,845	3,528,108	-	40,320,953	43,700,532	40,172,424
<b>Total</b>	<b>1,592,698,906</b>	<b>270,783,387</b>	<b>138,888,889</b>	<b>1,724,593,404</b>	<b>405,933,227</b>	<b>141,552,762</b>	<b>13,888,889</b>	<b>533,597,100</b>	<b>1,186,765,679</b>	<b>1,190,996,304</b>
Previous year	1,005,908,496	586,790,410	-	1,592,698,906	327,105,103	78,828,124	-	405,933,227	678,803,393	1,186,765,679

\* Please refer to Note No. 9 to Notes on Accounts

	Year ended 31.03.2005 Rs.	Year ended 31.03.2004 Rs.
<b>Schedule 2</b>		
<b>Revenue Expenditure relating to Research</b>		
Transferred from Profit & Loss Account	(306,529,665)	(178,778,763)
Balance brought forward from previous year	(431,141,869)	(252,363,106)
	<u>(737,671,534)</u>	<u>(431,141,869)</u>
<b>Schedule 3</b>		
<b>Employee compensation &amp; benefits</b>		
Salaries , Bonus, contributions etc.,	149,469,552	254,640,707
Staff welfare	2,083,226	2,741,631
<b>Less:</b> Product Research and Development Expenditure Capitalised	(149,469,552)	(254,640,707)
	<u>2,083,226</u>	<u>2,741,631</u>
<b>Schedule 4</b>		
<b>Administrative and other expenses</b>		
Communication Expenses	5,713,159	8,335,621
Power & Fuel	16,242,276	13,881,297
Rent	16,172,155	13,915,974
Travel & Conveyance	230,551	118,069
Miscellaneous Expenses	806,955	257,549
<b>Less:</b> Product Research and Development Expenditure Capitalised	(32,414,431)	(27,797,271)
	<u>6,750,665</u>	<u>8,711,239</u>
<b>Schedule 5</b>		
<b>Interest</b>		
Interest	31,143,012	31,697,769
<b>Less:</b> Product Research and Development Expenditure Capitalised	-	-
	<u>31,143,012</u>	<u>31,697,769</u>
<b>Schedule 6</b>		
<b>Calculation of Recurring R&amp;D Expenditure</b>		
Total Expenditure as per P&L Account	306,529,665	178,778,763
Add : Capitalised R&D Expenditure :		
Employee Compensation & benefits	149,469,552	254,640,707
Administrative & Other Expenses	32,414,431	27,797,271
Sub Total	<u>181,883,983</u>	<u>282,437,978</u>
Total Expenditure	488,413,648	461,216,741
Less :		
Depreciation on Technology Platform and Product Software	114,870,022	48,535,000
Depreciation on other R&D fixed assets	26,682,740	30,293,124
Amortisation of Product Research and Development Expenditure	-	56,800,000
Product Software asset impairment	125,000,000	-
	<u>266,552,762</u>	<u>135,628,124</u>
Recurring R&D Expenditure	221,860,886	325,588,617

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I REGISTRATION DETAILS**

Registration No:  State Code  
(Refer Code List)

Balance Sheet Date   
Date Month Year

**II CAPITAL RAISED DURING THE YEAR (Amount in Rs.Thousands)**

Public Issue  Rights Issue

Bonus Issue  Private Placement

Others

**III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)**

Total Liabilities  Total Assets

**Sources of Funds**

Paid-up Capital  Reserves & Surplus

Secured Loans  Unsecured Loans

**Application of Funds**

Net Fixed Assets  Investments

Net Current Assets  Miscellaneous Expenditure

Profit and Loss Account

**IV PERFORMANCE OF COMPANY (Amount in Rs. Thousands)**

Turnover and Other income  Total Expenditure

Loss before Tax  Loss after Tax

Earnings/(Loss) Per Share in Rs.  Dividend Rate %

**V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (as per monetary terms)**

Item Code No.(ITC Code)

Product Description

As per our Report Annexed  
For **CNGSN & Associates**  
Chartered Accountants

**P. R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**S.S. RAMACHANDRA RAJA**

**N.K. SHRIKANTAN RAJA**

**C.N. GANGADARAN**  
Partner

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**V. JAGADISAN**  
Directors

Place: Chennai  
Date : 29th October, 2005

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956 RELATING TO SUBSIDIARIES**

1 Name of the Subsidiary Company	Ramco Systems Corporation, USA	Ramco Systems Limited, Switzerland	Ramco Systems Sdn. Bhd., Malaysia	Ramco Systems Pte. Ltd., Singapore	RSL Enterprise Solutions (Pty) Ltd., South Africa	Ramco Infotech Solutions Limited, Chennai
2 Financial Year end of the Subsidiary Company	March 31, 2005	March 31, 2005	March 31, 2005	March 31, 2005	March 31, 2005	March 31, 2005
3 No of shares held in the Subsidiary Company as on the above date	192,729,550 Equity Shares of USD 0.0145 each	1,400,000 Equity Shares of CHF 1/- each	1,280,000 Equity Shares of RM 1/-each	725,000 Equity Shares of SGD 1/- each	100 Equity Shares of ZAR 1/- each	50,000 Equity Shares of Rs.10/- each
4 Percentage of holding (Equity)	98%	100%	100%	100%	100%	100%
5 Percentage of holding (Preference)	Nil	Nil	Nil	Nil	Nil	Nil
6 The net aggregate of Profit/(Losses) of the Subsidiary Company so far as they concern the members of the Company	Nil	Nil	Nil	Nil	Nil	Nil
a. Dealt with Accounts of the Company for the year ended 31 <sup>st</sup> March 2005	Nil	Nil	Nil	Nil	Nil	Nil
b. Not dealt with Accounts of the Company for the year ended 31 <sup>st</sup> March 2005	USD 6,255,830	CHF 7,497,093	(RM 95,509)	SGD 2,143,387	ZAR 2,056,507	(INR 280)
7 The net aggregate of Profit/(Losses) of the Subsidiary Company for the previous financial years since it became a subsidiary company so far as they concern the members of the Company	Nil	Nil	Nil	Nil	Nil	Nil
a. Dealt with Accounts of the Company for the year ended 31 <sup>st</sup> March 2005	Nil	Nil	RM 1,152,000	Nil	Nil	Nil
b. Not dealt with Accounts of the Company for the year ended 31 <sup>st</sup> March 2005	(USD 10,477,399)	(CHF 8,786,116)	(RM 192,562)	(SGD 1,929,018)	(ZAR 124,015)	Nil
8 Change in the interest of the Company between the end of the financial year of the Subsidiary Company and the Company's Financial year ended 31 <sup>st</sup> March 2005	N/A	N/A	N/A	N/A	N/A	N/A
9 Material changes between the end of the Financial Year of the Subsidiary Company and the Company's Financial year ended 31 <sup>st</sup> March 2005	N/A	N/A	N/A	N/A	N/A	N/A
a. Fixed Assets						
b. Investments						
c. Money lent						
d. Money borrowed other than those for meeting Current Liabilities						

**P. R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**S.S. RAMACHANDRA RAJA**  
**N.K. SHRIKANTAN RAJA**

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**V. JAGADISAN**  
Directors

Place: Chennai

Date : 29th October, 2005

**INFORMATION WITH REGARD TO SUBSIDIARY COMPANIES**

(Furnished as required by the letter no.F.No.47/236/2005-CL-III dated: 5<sup>th</sup> August, 2005 of the Ministry of Company Affairs, Government of India, exempting the full disclosure of financial statements of the Subsidiary Companies, under section 212(8) of the Companies Act, 1956)

(Rs. in lacs)

Name of the Subsidiary	Year	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit before Tax	Provision for Tax	Profit after Tax	Proposed dividend	Exchange Rate used (Rs. per unit of foreign currency)	
												B/S	P&L
<b>Ramco Systems Corporation, USA</b>	<b>2004-2005</b> 2003-2004	<b>1,057.40</b> 4,431.73	<b>143.40</b> 1,164.03	<b>1,800.71</b> 9,579.48	<b>1,800.71</b> 9,579.48	- -	<b>9,306.46</b> 7,029.83	<b>2,784.90</b> 83.19	- -	<b>2,784.90</b> 83.19	- -	<b>43.63</b> 43.86	<b>44.91</b> 45.93
<b>Ramco Systems Ltd., Switzerland</b>	<b>2004-2005</b> 2003-2004	<b>293.27</b> 2,712.72	<b>777.90</b> -	<b>1,217.95</b> 4,569.25	<b>1,217.95</b> 4,569.25	<b>18.18</b> 14.58	<b>2,438.55</b> 2,222.46	<b>2,617.28</b> (1,583.51)	- -	<b>2,617.28</b> (1,583.51)	- -	<b>36.36</b> 34.37	<b>36.59</b> 34.69
<b>Ramco Systems Sdn.Bhd, Malaysia</b>	<b>2004-2005</b> 2003-2004	<b>182.17</b> 182.17	<b>32.26</b> 116.17	<b>214.43</b> 298.34	<b>214.43</b> 298.34	- -	<b>466.51</b> 920.79	<b>(11.29)</b> 168.84	- -	<b>(11.29)</b> 168.84	<b>77.71</b> -	<b>11.48</b> 11.45	<b>11.82</b> 11.99
<b>Ramco Systems Pte. Ltd., Singapore</b>	<b>2004-2005</b> 2003-2004	<b>186.16</b> 186.16	<b>6.11</b> 28.25	<b>192.27</b> 214.41	<b>192.27</b> 214.41	- -	<b>732.15</b> 727.25	<b>559.89</b> (252.32)	<b>5.67</b> 2.75	<b>554.22</b> (255.07)	- -	<b>26.43</b> 26.11	<b>26.73</b> 26.46
<b>RSL Enterprise Solutions (Pty) Ltd., South Africa</b>	<b>2004-2005</b> 2003-2004	<b>0.01</b> 0.01	<b>131.98</b> -	<b>131.99</b> 16.65	<b>131.99</b> 16.65	<b>0.04</b> -	<b>2,528.71</b> 159.38	<b>205.11</b> (7.94)	<b>57.35</b> -	<b>147.76</b> (7.94)	- -	<b>6.83</b> 6.55	<b>7.08</b> 6.41
<b>Ramco Infotech Solutions Ltd., Chennai, India</b>	<b>2004-2005</b> 2003-2004	<b>5.00</b> N.A.	<b>-</b> N.A.	<b>5.00</b> N.A.	<b>5.00</b> N.A.	<b>-</b> N.A.	<b>-</b> N.A.	<b>-</b> N.A.	<b>-</b> N.A.	<b>-</b> N.A.	<b>-</b> N.A.	<b>-</b> N.A.	<b>N.A.</b> N.A.



**RAMCO SYSTEMS LIMITED**  
**GLOBAL CONSOLIDATED FINANCIAL STATEMENTS**  
**UNDER AS-21**

**SUBSIDIARIES**

1. Ramco Systems Corporation, USA
2. Ramco Systems Limited, Switzerland
3. Ramco Systems Pte.Ltd., Singapore
4. Ramco Systems Sdn.Bhd., Malaysia
5. RSL Enterprise Solutions (Pty) Ltd., South Africa
6. Ramco Infotech Solutions Ltd., India

**AUDITORS**

Messrs. CNGSN & ASSOCIATES  
Chartered Accountants, Chennai



**AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF RAMCO SYSTEMS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF RAMCO SYSTEMS LIMITED AND ITS SUBSIDIARIES**

We have examined the attached Consolidated Balance Sheet of Ramco Systems Limited and its Subsidiaries as at 31<sup>st</sup> March 2005, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended.

These financial statements are the responsibility of Ramco Systems Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Generally Accepted Auditing Standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material aspects, in accordance with identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs.175,664,568/- as at 31<sup>st</sup> March 2005 and total revenues of Rs.619,179,070/- for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21 – Consolidated Financial Statements and Accounting Standard 23 – Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India, and on the basis of the separate audited financial statements of Ramco Systems Limited and its Subsidiaries in the Consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Ramco Systems Limited and its aforesaid Subsidiaries, we are of the opinion that,

- a) the Consolidated Balance Sheet gives a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of Ramco Systems Limited and its Subsidiaries as at 31<sup>st</sup> March 2005.
- b) the Consolidated Profit and Loss Account gives a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated results of operation of Ramco Systems Limited and its Subsidiaries for the year then ended.
- c) the Consolidated Cash flow statement gives a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated cash flow of Ramco Systems Limited and its Subsidiaries for the year then ended.

**For CNGSN & Associates**  
Chartered Accountants

Place : Chennai  
Date: 29th October, 2005

**C.N. GANGADARAN**  
Partner  
Membership Number: 011205

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2005

	SCHEDULE	As at 31.03.2005		As at 31.03.2004	
		Rs.	USD	Rs.	USD
<b>I. SOURCES OF FUNDS</b>					
<b>1. Share Holders' Funds</b>					
a) Share Capital	I	122,835,680	2,823,218	115,965,830	2,665,738
b) Reserves & Surplus	II	1,390,030,109	31,840,723	3,228,234,493	67,932,045
		<u>1,512,865,789</u>	<u>34,663,941</u>	<u>3,344,200,323</u>	<u>70,597,783</u>
<b>2. Minority Interest</b>		2,587,769	70,270	-	-
<b>3. Loan Funds</b>					
a) Secured	III	565,019,431	12,950,251	382,199,008	8,714,068
b) Unsecured	IV	1,038,155,367	23,794,531	886,032,500	20,201,380
		<u>1,603,174,798</u>	<u>36,744,782</u>	<u>1,268,231,508</u>	<u>28,915,448</u>
<b>TOTAL</b>		<u>3,118,628,356</u>	<u>71,478,993</u>	<u>4,612,431,831</u>	<u>99,513,231</u>
<b>II. APPLICATION OF FUNDS</b>					
<b>1. Fixed Assets</b>					
Gross Block	V	3,219,210,879	73,784,343	2,070,027,443	44,224,741
Less : Depreciation		701,910,155	16,087,787	561,650,707	11,993,487
Net Block		<u>2,517,300,724</u>	<u>57,696,556</u>	<u>1,508,376,736</u>	<u>32,231,254</u>
Capital Work in Progress		-	-	85,630,187	1,952,353
<b>2. Investments</b>	VI	6,349,780	145,537	82,459,299	1,808,383
<b>3. Current Assets, Loans &amp; Advances</b>					
a) Inventories	VII	27,462,572	629,442	27,590,709	629,063
b) Sundry Debtors	VIII	677,400,283	15,526,022	535,426,616	12,207,630
c) Cash & Bank Balances	IX	276,418,662	6,335,519	247,326,321	5,638,994
d) Loans & Advances	X	124,737,156	2,858,977	98,703,787	2,250,428
e) Other Current Assets	XI	26,782,076	613,845	49,774,470	1,134,849
		<u>1,132,800,749</u>	<u>25,963,805</u>	<u>958,821,903</u>	<u>21,860,964</u>
<b>Less: Current Liabilities and Provisions</b>					
a) Current Liabilities	XII	531,283,296	12,177,017	413,953,443	9,438,062
b) Provisions	XIII	6,662,501	152,705	927,166	21,139
		<u>537,945,797</u>	<u>12,329,722</u>	<u>414,880,609</u>	<u>9,459,201</u>
<b>Net Current Assets</b>		<u>594,854,952</u>	<u>13,634,083</u>	<u>543,941,294</u>	<u>12,401,763</u>
<b>4. Misc Expenditure</b> (to the extent not written off / adjusted)	XIV	122,900	2,817	63,996,940	1,459,119
<b>5. Profit &amp; Loss Account</b>	XV	-	-	2,328,027,375	49,660,359
<b>TOTAL</b>		<u>3,118,628,356</u>	<u>71,478,993</u>	<u>4,612,431,831</u>	<u>99,513,231</u>

Significant Accounting Policies and Notes to Accounts Schedules, Accounting Policies and Notes form an integral part of the accounts

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As per our Report Annexed For **CNGSN & Associates** Chartered Accountants

**P. R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**S.S. RAMACHANDRA RAJA**  
**N.K. SHRIKANTAN RAJA**

**C.N. GANGADARAN**  
Partner

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**V. JAGADISAN**  
Directors

Place: Chennai  
Date : 29th October, 2005

**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005**

	Schedule	Yearended 31.03.2005		Year ended 31.03.2004	
		Rs.	USD	Rs.	USD
<b>INCOME</b>					
Sales	XVI	2,205,143,674	49,105,988	1,709,247,702	37,218,079
Other Income	XVII	40,992,499	912,855	16,540,484	360,161
		<u>2,246,136,173</u>	<u>50,018,843</u>	<u>1,725,788,186</u>	<u>37,578,240</u>
<b>EXPENDITURE</b>					
Cost of Resale Material		375,564,270	8,363,380	241,253,688	5,253,188
Employee Compensation & Benefits	XVIII	1,342,971,983	29,906,426	1,076,407,054	23,438,266
Sales & Marketing Expenses	XIX	136,663,344	3,043,334	119,788,112	2,608,331
Administrative & Other Expenses	XX	422,231,844	9,402,613	464,570,681	10,115,811
		<u>2,277,431,441</u>	<u>50,715,753</u>	<u>1,902,019,535</u>	<u>41,415,596</u>
<b>Profit/(Loss) before Interest, Depreciation, Amortization, Tax &amp; Extraordinary items</b>		<b>(31,295,268)</b>	<b>(696,910)</b>	<b>(176,231,349)</b>	<b>(3,837,356)</b>
Interest & Finance Charges	XXI	116,176,214	2,587,109	126,196,237	2,747,865
<b>Profit/(Loss) before Depreciation, Amortisation, Tax &amp; Extraordinary items</b>		<b>(147,471,482)</b>	<b>(3,284,019)</b>	<b>(302,427,586)</b>	<b>(6,585,221)</b>
Depreciation					
On Technology Platform & Product Software		114,870,022	2,558,022	48,535,000	1,056,827
On other fixed assets		63,634,904	1,417,075	60,698,101	1,321,673
<b>Profit/(Loss) before Amortisation, Tax &amp; Extraordinary items</b>		<b>(325,976,408)</b>	<b>(7,259,116)</b>	<b>(411,660,687)</b>	<b>(8,963,721)</b>
Amortisation of Product Research and Development Expenditure		90,900	2,024	80,188,785	1,746,074
<b>Profit/(Loss) before Tax &amp; Extraordinary items</b>		<b>(326,067,308)</b>	<b>(7,261,140)</b>	<b>(491,849,472)</b>	<b>(10,709,795)</b>
Extraordinary Items (Refer Note No. 12)		349,920,994	7,792,334	-	-
<b>Profit/(Loss) before Tax</b>		<b>(675,988,302)</b>	<b>(15,053,474)</b>	<b>(491,849,472)</b>	<b>(10,709,795)</b>
Provision for Taxation					
Current Taxation		6,302,007	144,442	274,771	5,983
Deferred Taxation (Refer Note No. 4)		-	-	-	-
Equity in Earnings/(Losses) of Affiliates		3,028,943	67,451	134,600	2,931
<b>Profit/(Loss) after Tax</b>		<b>(679,261,366)</b>	<b>(15,130,465)</b>	<b>(491,989,643)</b>	<b>(10,712,847)</b>
Add:Balance brought forward		(2,343,163,053)	(49,971,919)	(1,851,173,410)	(39,259,073)
Add:Prior year Adjustment		(15,972,410)	(355,687)	-	-
Less:Set off of losses against Share Premium/ Capital as per Scheme of Arrangement		2,976,165,925	65,930,393	-	-
Less:Transfer from /to Translation Reserve		84,051,442	-	-	-
<b>Balance in Profit &amp; Loss Account</b>		<b>21,820,538</b>	<b>472,322</b>	<b>(2,343,163,053)</b>	<b>(49,971,919)</b>

Significant Accounting Policies and Notes to Accounts Schedules, Accounting Policies and Notes form an integral part of the accounts

XXII

As per our Report Annexed For **CNGSN & Associates** Chartered Accountants

**P. R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**S.S. RAMACHANDRA RAJA**  
**N.K. SHRIKANTAN RAJA**

**C.N. GANGADARAN**  
Partner

**P.R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**V. JAGADISAN**  
Directors

Place: Chennai  
Date : 29th October, 2005

**Ramco Systems Limited, Global Consolidated (Under AS-21)**

**SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2005**

	As at 31.03.2005		As at 31.03.2004	
	Rs.	USD	Rs.	USD
<b>Schedule I</b>				
<b>Share Capital</b>				
Authorised :				
15,000,000 equity Shares of Rs.10/- each	<u>150,000,000</u>		<u>150,000,000</u>	
Issued Share Capital				
12,597,382 equity shares	<u>125,973,820</u>	<u>2,896,552</u>	<u>119,655,330</u>	<u>2,751,470</u>
(Previous year 11,965,533) of Rs.10/- each				
Subscribed Share Capital				
12,597,382 equity shares	<u>125,973,820</u>	<u>2,896,552</u>	<u>119,655,330</u>	<u>2,751,470</u>
(Previous year 11,965,533) of Rs.10/- each				
Paid up Capital				
12,248,154 (Previous year 11,617,533)				
Equity shares of Rs.10/- each fully paid up	<u>122,481,540</u>	<u>2,814,944</u>	<u>116,175,330</u>	<u>2,670,143</u>
Add: Forfeited Shares	<u>354,140</u>	<u>8,274</u>	<u>348,000</u>	<u>8,133</u>
Less: Calls in arrears Nil	-	-	<u>(557,500)</u>	<u>(12,538)</u>
(Previous year 111,500 Shares @ Rs.5/- each)	<u>122,835,680</u>	<u>2,823,218</u>	<u>115,965,830</u>	<u>2,665,738</u>
<b>Out of the above</b>				
43,33,153 equity shares of face value Rs.10/- each have been allotted to the shareholders of Ramco Industries Limited credited as fully paid up pursuant to the approval of the scheme of arrangement (Demerger) for the transfer of software business undertaking of Ramco Industries Limited with Ramco Systems Limited by the Honorable High Court of Madras, vide order dated 24th December,1999.				
23,76,719 equity shares, have been allotted to Ramco Industries Limited as fully paid up shares of face value of Rs.10/- each at a premium of Rs.293/- per share pursuant to a contract for the transfer of its entire investment in the overseas Subsidiary Companies without payment being received in cash.The above allotment has been duly approved by the shareholders of the company in the EGM held on 10th November 1999 and by the Reserve Bank of India.				
<b>Schedule II</b>				
<b>Reserves &amp; Surplus</b>				
Share Premium (please refer note no.6(d))	<u>1,334,462,949</u>	<u>31,166,903</u>	<u>3,110,374,644</u>	<u>71,866,978</u>
Equity in Earnings of Affiliates - 2002-2003	<u>1,364,139</u>	<u>29,703</u>	-	-
Balance in Profit & Loss Account	<u>21,820,538</u>	<u>472,322</u>	-	-
Translation Reserve a/c (Refer Accounting Policy No III)	<u>32,382,483</u>	<u>171,795</u>	<u>117,859,849</u>	<u>(3,934,933)</u>
	<u>1,390,030,109</u>	<u>31,840,723</u>	<u>3,228,234,493</u>	<u>67,932,045</u>
<b>Schedule III</b>				
<b>Secured Loans</b>				
a) Bank Borrowings	<u>256,189,769</u>	<u>5,871,872</u>	<u>300,181,426</u>	<u>6,844,082</u>
b) Term Loan from				
Housing Development Finance Corporation	<u>10,044,290</u>	<u>230,215</u>	<u>11,995,598</u>	<u>273,497</u>
Sundaram Home Finance Limited	<u>2,407,586</u>	<u>55,182</u>	<u>3,188,261</u>	<u>72,692</u>
Banks / FIs	<u>294,333,332</u>	<u>6,746,123</u>	<u>66,500,000</u>	<u>1,516,188</u>
c) Hire Purchase Loans	<u>2,044,454</u>	<u>46,859</u>	<u>333,723</u>	<u>7,609</u>
(For details of securities, refer Note No. 2)				
	<u>565,019,431</u>	<u>12,950,251</u>	<u>382,199,008</u>	<u>8,714,068</u>
<b>Schedule IV</b>				
<b>Unsecured Loans</b>				
From Banks	<u>632,701,617</u>	<u>14,501,527</u>	<u>527,550,000</u>	<u>12,028,044</u>
Others	<u>405,453,750</u>	<u>9,293,004</u>	<u>358,482,500</u>	<u>8,173,336</u>
	<u>1,038,155,367</u>	<u>23,794,531</u>	<u>886,032,500</u>	<u>20,201,380</u>

**Schedule V  
Fixed Assets**

Asset Description	Gross Block						Depreciation Block						Net Block								
	As at 01.04.2004		Additions / Reserve Adjustment		Withdrawals		As at 31.03.05		As at 01.04.04		Additions / Reserve Adjustment		Withdrawals		As at 31.03.05		As at 01.04.04		As at 31.03.05		
	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	
Goodwill	17,389,981	386,716	977,108,950	22,397,437	-	-	994,508,931	22,794,153	-	-	-	-	17,389,981	386,716	994,508,931	22,794,153	-	-	17,389,981	386,716	
Land	1178191601	2,482,440	-	217,987	-	-	1178191601	2,700,427	-	-	-	-	1178191601	2,482,440	1178191601	2,700,427	-	-	1178191601	2,700,427	
Building	165,659,915	3,534,238	1,409,811	295,002	-	-	167,069,726	3,829,240	40,232,011	855,674	5,556,994	193,810	-	46,769,005	1,049,484	121,280,721	2,678,564	125,427,904	2,678,564	2,779,796	
Plant & Machinery	333,919,796	7,136,398	35,929,900	1,338,288	28,915,993	662,753	340,833,983	7,811,913	248,967,283	5,347,181	27,340,860	985,804	27,987,386	248,320,758	5,691,514	92,513,046	1,789,217	84,852,513	1,789,217	2,120,389	
-EDP	101618012	2,157,073	29,344,815	844,597	-	-	130,962,827	3,001,670	60,356,028	1,282,901	17,494,826	501,442	-	77,850,854	1,784,343	53,111,973	874,172	41,261,984	874,172	1,217,327	
-Software	39,019,422	833,036	-	61,289	-	-	39,019,422	894,225	20,455,895	435,394	1,524,249	68,401	-	21,960,144	503,795	17,089,278	387,852	18,563,527	387,852	390,540	
-Others	485,350,000	10,170,149	144,336,057	4,267,992	-	-	629,996,057	14,838,141	97,070,000	2,062,109	57,098,019	1,471,424	-	154,168,019	3,538,533	475,768,038	8,108,040	386,290,000	8,108,040	10,904,608	
Technology Platform	577,720,026	12,579,596	122,928,115	3,479,276	138,888,889	3,183,335	561,799,252	12,875,527	-	-	57,772,003	1,324,134	13,888,889	43,883,114	1,005,801	517,876,138	12,579,596	57,720,026	12,579,596	11,865,726	
Product Software	106,607,441	2,264,784	4,951,320	282,143	1,297,561	29,740	110,261,200	2,527,187	49,481,238	1,052,066	9,329,161	295,887	400,246	58,410,953	1,338,779	1,188,408	1,212,718	57,126,203	1,212,718	1,188,408	
-Furniture	22,885,209	485,474	933,814	60,461	8,190	188	23,810,933	546,747	10,181,125	216,248	1,536,687	52,224	3,534	11,714,278	268,491	27,296	269,226	12,704,184	269,226	27,296	
-Office Equipments	97,299,692	2,062,234	3,165,630	240,432	3,603,291	82,587	96,862,031	2,220,079	33,251,717	707,304	5,870,866	189,387	880,773	38,241,830	876,504	1,343,575	64,047,975	1,354,830	64,047,975	1,343,575	
Electrical Items	4,828,248	122,613	2,579,452	47,172	1,040,604	23,851	6,367,096	146,934	1,655,410	34,620	462,864	13,530	567,074	1,551,200	35,553	110,381	3,172,538	87,993	3,172,538	87,993	
Vehicles	2,070,027,443	44,224,741	1,322,937,864	33,542,056	173,754,428	3,982,454	3,219,210,679	73,784,343	561,650,707	11,959,487	183,967,349	5,096,543	43,727,902	701,910,155	16,087,787	57,696,556	32,231,254	1,508,376,736	32,231,254	57,696,556	
<b>Total</b>	1,418,574,800	30,001,488	655,923,758	14,313,269	4,470,915	90,016	2,070,027,443	44,224,741	454,268,592	9,656,598	109,233,103	2,378,500	1,910,978	561,650,707	11,993,487	1,508,376,736	20,344,890	1,508,376,736	20,344,890	32,231,254	
Previous year																					

Note: 1. Gross Block includes vehicles ( Car) acquired under Hire Purchase **Rs.4,466,157/- (USD 102,364)** (Previous year Rs. 2,060,300/- USD 46,974)

2. Additions in Gross Block and Depreciation Block include the following on account of Reserve Adjustment:

Gross Block Rs. 7,014,389/-  
Depreciation Block Rs. 5,482,425/-

(Previous Year Nil)  
(Previous Year Nil)

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2005

	As at 31.03.2005		As at 31.03.2004	
	Rs.	USD	Rs.	USD
<b>Schedule VI</b>				
<b>Investments</b>				
Trade -Unquoted:				
253 shares in Triamun AG, Switzerland of face value of CHF 1 each	-	-	39,502,560	833,915
5000 shares in Triamun Ramco Healthcare Systems Limited, Switzerland of face value of CHF 10 each	3,338,876	76,527	2,956,739	62,475
300 shares in Redlex 47 (Pty) Ltd., South Africa of face value of ZAR 1 each	3,010,904	69,010	-	-
Non-Trade -Unquoted:				
Investments In Mutual Funds-Short Term (39,63,771 units purchased under Sundaram Money Fund Plan)	-	-	40,000,000	911,993
	<u>6,349,780</u>	<u>145,537</u>	<u>82,459,299</u>	<u>1,808,383</u>
<b>Schedule VII</b>				
<b>Inventories</b>				
Resale Hardware & Software Materials (Valued at Cost or Net realisable value whichever is lower and as certified by management)				
	27,462,572	629,442	27,590,709	629,063
	<u>27,462,572</u>	<u>629,442</u>	<u>27,590,709</u>	<u>629,063</u>
<b>Schedule VIII</b>				
<b>Sundry Debtors</b>				
(Unsecured)				
a) Debts Outstanding for period exceeding six months	194,984,423	4,469,045	228,170,101	5,202,237
Less: Provision for Bad & Doubtful Debts	(148,712,822)	(3,408,498)	(43,175,361)	(984,390)
	46,271,601	1,060,547	184,994,740	4,217,847
b) Other debts considered good	631,128,682	14,465,475	350,431,876	7,989,783
	<u>677,400,283</u>	<u>15,526,022</u>	<u>535,426,616</u>	<u>12,207,630</u>
<b>Schedule IX</b>				
<b>Cash and Bank Balances</b>				
Cash on hand				
	860,128	19,714	1,606,918	36,637
<u>Balances with Scheduled Banks in</u>				
a) Current Accounts	13,218,833	302,976	53,775,790	1,226,078
b) Deposit Accounts	70,000,000	1,604,401	70,000,000	1,595,987
<u>Balances with Other Banks in Current Account</u>				
Fleet Bank, USA	69,768,424	1,599,093	60,232,693	1,373,294
UBS AG, Switzerland	10,357,874	237,403	4,493,166	102,443
Credit Suisse, Switzerland	2,071,733	47,484	2,848,018	64,934
ABN Amro Bank, Singapore	7,334,921	168,116	4,897,333	111,658
Bumiputra Commerce Bank Berhad, Malaysia	1,691,579	38,771	8,268,692	188,525
ABN Amro Bank Berhad, Malaysia	2,155,473	49,403	4,668,192	106,434
Bank of Baroda, South Africa	25,645,607	587,798	13,676,029	311,811
The Standard Bank, South Africa	18,381,181	421,297	750,870	17,120
<u>Balances with Other Banks in Deposit Account</u>				
Fleet Bank, USA	54,932,909	1,259,063	22,108,620	504,073
	<u>276,418,662</u>	<u>6,335,519</u>	<u>247,326,321</u>	<u>5,638,994</u>
<b>Schedule X</b>				
<b>Loans and Advances</b>				
(Unsecured, Considered Good)				
Advance recoverable in Cash or in Kind or for value to be received	62,002,575	1,421,100	42,219,649	962,600
Tax deducted at Source	36,078,355	826,916	33,774,090	770,043
Deposits with Government Departments and Others	21,031,035	482,032	22,710,049	517,785
Advance Tax	5,625,191	128,929	-	-
	<u>124,737,156</u>	<u>2,858,977</u>	<u>98,703,788</u>	<u>2,250,428</u>



**SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2005**

	As at 31.03.2005		As at 31.03.2004	
	Rs.	USD	Rs.	USD
<b>Schedule XI</b>				
<b>Other Current Assets</b>				
Prepaid expenses	21,932,418	502,691	20,426,888	465,729
Interest Accrued	306,365	7,022	463,023	10,557
Deferred Maintenance Cost	-	-	479,168	10,925
Work in Progress	4,543,293	104,132	28,405,391	647,638
	<u>26,782,076</u>	<u>613,845</u>	<u>49,774,470</u>	<u>1,134,849</u>
<b>Schedule XII</b>				
<b>Current Liabilities</b>				
For Purchases	116,648,187	2,673,576	120,296,989	2,742,749
For Expenses	414,594,883	9,502,519	293,656,454	6,695,313
Payable to Directors	40,226	922	-	-
	<u>531,283,296</u>	<u>12,177,017</u>	<u>413,953,443</u>	<u>9,438,062</u>
<b>Schedule XIII</b>				
<b>Provisions</b>				
Provision for Taxation	6,662,501	152,705	927,166	21,139
<b>Schedule XIV</b>				
<b>Miscellaneous Expenditure</b>				
Product Research and Development Expenditure to the extent not amortised (Refer note 5)	90,900	2,083	63,996,940	1,459,119
Preliminary Expenses	32,000	734	-	-
	<u>122,900</u>	<u>2,817</u>	<u>63,996,940</u>	<u>1,459,119</u>
<b>Schedule XV</b>				
<b>Profit &amp; Loss Account</b>				
Balance brought forward from Profit & Loss account	-	-	2,343,163,053	49,971,919
Less: Equity in Earnings /(Losses) of Affiliates-2002-03	-	-	(1,364,139)	(29,703)
Less: Share of Minority Interest (Refer note 11)	-	-	(13,771,539)	(281,857)
	<u>-</u>	<u>-</u>	<u>2,328,027,375</u>	<u>49,660,359</u>

**Ramco Systems Limited, Global Consolidated (Under AS-21)**

**SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005**

	Year ended 31.03.2005		Year ended 31.03.2004	
	Rs.	USD	Rs.	USD
<b>Schedule XVI</b>				
<b>Sales</b>				
Software Revenues (Licensing & Services)	1,782,970,750	39,704,687	1,350,779,269	29,412,594
Value Added Resale Software & Hardware Materials	392,802,324	8,747,252	328,326,402	7,149,156
Others	29,370,600	654,049	30,142,031	656,329
	<u>2,205,143,674</u>	<u>49,105,988</u>	<u>1,709,247,702</u>	<u>37,218,079</u>
<b>Schedule XVII</b>				
<b>Other Income</b>				
Dividend Income	128,396	2,859	357,785	7,791
Interest Received	3,958,422	88,149	4,686,889	102,055
Profit on sale of assets	1,229,169	27,372	98,470	2,144
Foreign Exchange Fluctuation	11,487,647	255,817	-	-
Other Income	24,188,865	538,658	11,397,340	248,171
	<u>40,992,499</u>	<u>912,855</u>	<u>16,540,484</u>	<u>360,161</u>
<b>Schedule XVIII</b>				
<b>Employee Compensation &amp; Benefits</b>				
Salaries, Bonus etc.,	1,141,975,342	25,430,464	868,543,745	18,912,139
Gratuity & Superannuation Fund Contributions	56,441,683	1,256,891	53,367,809	1,162,059
Provident Fund & other Statutory Contributions	20,345,254	453,065	16,021,057	348,851
Staff Welfare	124,209,704	2,766,006	138,474,443	3,015,217
	<u>1,342,971,983</u>	<u>29,906,426</u>	<u>1,076,407,054</u>	<u>23,438,266</u>
<b>Schedule XIX</b>				
<b>Sales &amp; Marketing Expenses</b>				
Advertisement & Sales Promotion	135,515,014	3,017,762	118,753,177	2,585,796
Others	1,148,330	25,572	1,034,935	22,535
	<u>136,663,344</u>	<u>3,043,334</u>	<u>119,788,112</u>	<u>2,608,331</u>
<b>Schedule XX</b>				
<b>Administrative &amp; Other Expenses</b>				
Consultancy	34,811,239	775,206	44,027,262	958,673
Bank Charges	4,127,897	91,923	2,657,402	57,864
Insurance	12,395,002	276,022	12,414,854	270,328
Loss on sale of fixed assets	4,201,883	93,571	1,127,977	24,561
Communication Expenses	38,139,855	849,330	41,390,256	901,254
Power & Fuel	12,444,260	277,119	13,133,736	285,981
Printing & Stationery	5,555,361	123,711	5,825,269	126,843
Rates & Taxes	7,580,318	168,805	9,788,305	213,136
Rent	76,007,777	1,692,605	81,317,092	1,770,642
Repairs - Buildings	91,341	2,035	1,096,587	23,877
Repairs - Plant & Machinery	11,585,686	258,000	7,136,215	155,387
Repairs - Others	7,404,933	164,899	7,440,042	162,003
Travel & Conveyance	153,619,042	3,420,919	89,154,129	1,941,290
Bad Debts	8,197,110	182,540	35,107,965	764,460
Miscellaneous Expenses	27,089,212	603,245	25,654,031	558,605
Provision for Doubtful Debts	18,414,308	410,065	29,953,847	652,231
Foreign Exchange Fluctuation	566,620	12,618	38,428,797	836,769
Stock Write off	-	-	18,916,915	411,907
	<u>422,231,844</u>	<u>9,402,613</u>	<u>464,570,681</u>	<u>10,115,811</u>
<b>Schedule XXI</b>				
<b>Interest &amp; Finance Charges</b>				
Fixed Loans	3,367,672	74,994	7,771,161	169,214
Hire Purchase & Finance Charges	6,667,294	148,473	4,668,672	101,658
Others	106,141,248	2,363,642	113,756,404	2,476,993
	<u>116,176,214</u>	<u>2,587,109</u>	<u>126,196,237</u>	<u>2,747,865</u>

## Schedule XXII

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS OF RAMCO SYSTEMS LIMITED, INDIA AND ITS SUBSIDIARIES:

#### SIGNIFICANT ACCOUNTING POLICIES:

##### I. BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The financial statements are prepared under the historical cost convention and the accounts are prepared in accordance with the generally accepted accounting principles, the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 as adopted consistently by the Company.

##### II. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements have been prepared on the following basis:

The Financial Statements of Subsidiaries have been combined on a line by line basis by adding together the book values of like item of assets, liabilities, income and expenditure after eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses. The Financial Statement of the affiliate has been consolidated using the Equity Method as prescribed by Accounting Standard 23 issued by the Institute of Chartered Accountants of India.

The consolidated financial statements are prepared by adopting uniform accounting policies for like transactions or other events in similar circumstances and are presented to the extent possible, in the same manner as the Parent Company's financial statements.

##### III. TRANSLATION TO INDIAN RUPEES:

The functional currency of the Parent Company is Indian Rupee. The functional currencies of the subsidiaries are their respective local currencies. Their accounts are converted from their local currency to Indian Rupees in the following manner:

All income and expense items are translated at the moving average rate of exchange applicable for the year. All monetary and non-monetary assets and liabilities are translated at the closing rate as on Balance Sheet date. The equity share capital is stated at the exchange rate at the date of investment. The exchange difference arising out of the year end translation is debited or credited to Translation Reserve account and is being classified under Reserves and Surplus Account.

##### IV. OTHER SIGNIFICANT ACCOUNTING POLICIES:

These are set out in the notes to accounts under "Significant Accounting Policies" of the financial statements of Ramco Systems Limited, India.

#### NOTES ON ACCOUNTS

**The Consolidated Financial Statements cover Ramco Systems Limited, India, the Parent company and its Subsidiaries and affiliates as given below:**

S.No.	Name	Country	% holding	Year ending on
<b>Subsidiaries</b>				
1	Ramco Systems Corporation	USA	98%	31 <sup>st</sup> March
2	Ramco Systems Limited	Switzerland	100%	31 <sup>st</sup> March
3	Ramco Systems Sdn. Bhd.	Malaysia	100%	31 <sup>st</sup> March
4	Ramco Systems Pte. Limited	Singapore	100%	31 <sup>st</sup> March
5	RSL Enterprise Solutions (Pty) Limited	South Africa	100%	31 <sup>st</sup> March
6	Ramco Infotech Solutions Limited (became subsidiary during the year)	India	100%	31 <sup>st</sup> March
<b>Affiliates</b>				
1	Triamun Ramco Healthcare Systems Limited	Switzerland	50%	31 <sup>st</sup> December
2	Redlex 47 (Proprietary) Limited (became affiliate during the year)	South Africa	30%	28 <sup>th</sup> February

## 1. Contingent Liabilities

	As at 31.03.2005 (Rs. in lacs)	As at 31.03.2005 (USD million)	As at 31.03.2004 (Rs. in lacs)	As at 31.03.2004 (USD million)
(a) Estimated amount of contracts remaining to be executed on capital account	5.56	0.01	129.17	0.29
(b) Bank Guarantees	511.12	1.17	613.79	1.40
(c) Letters of Credit	332.13	0.76	593.83	1.35
(d) Octroi Liability	Nil	Nil	29.02	0.07
(e) Income Tax Liability	1,756.13	4.03	1,756.13	4.00

## 2. Secured Loans

**(a) India:** Borrowings from the banks for working capital amounting to Rs.450.27 lacs (USD 1.03 million) (Previous year Rs.940.00 lacs(USD 2.14 million)) are secured by a pari-passu first charge on current assets including stocks and book debts and by a pari-passu second charge on the fixed assets of the Company except assets given as exclusive charge and assets acquired on hire purchase or lease.

Balance borrowings from the banks for working capital amounting to Rs.1,566.25 lacs (USD 3.59 million)(Previous year Rs.1,513.56 lacs(USD 3.45 million)) are secured by a pari-passu second charge on current assets including stocks and book debts and by a pari-passu second charge on the fixed assets of the Company except assets given as exclusive charge and assets acquired on hire purchase or lease.

**USA:** Borrowings from banks amounting to Rs.545.38 lacs (USD 1.25 million) [Previous Year Rs.548.25 lacs (USD 1.25 million)] are secured by cash deposits of Ramco Systems Limited, India.

**(b)** Term Loans from Housing Development Finance Corporation Limited and Sundaram Home Finance Limited represent a Line of Credit to the company towards provision of housing loans to the employees which is secured by an equitable mortgage by way of deposit of title deeds of the properties acquired by the employees.

**(c)** Borrowings from HDFC Limited (under Banks / FIs) amounting to Rs.443.33 lacs (USD 1.02 million) (Previous year Rs.665.00 lacs (USD 1.52 million)) are secured by an exclusive charge on the Land at Santhome, Chennai.

**(d)** Borrowings from Standard Chartered Bank (under Banks / FIs) amounting to Rs.2,500.00 lacs (USD 5.73 million) (Previous year Nil) are secured by a first charge on the fixed assets of the Company and supported by a Corporate Guarantee from Madras Cements Limited.

**(e)** Assets acquired under Hire Purchase Finance are hypothecated to the Hire Purchase Companies as security.

Of the total unsecured loans of Rs.10,275.00 lacs (USD 23.55 million) (Previous year Rs.8,805.50 lacs (USD 20.18 million)), Rs.6,200.00 lacs (USD 14.21 million) (Previous year Rs.7,775.50 lacs (USD 17.73 million)) are supported by a Corporate Guarantee from Madras Cements Limited and Rs.2,575.00 lacs (USD 5.9 million) (Previous year Rs.500.00 lacs (USD 1.14 million)) are supported by a Corporate Guarantee from Ramco Industries Limited.

## 3. Taxation:

Provision for taxation made during the year pertains to the current year tax provision by Ramco Systems Pte. Limited, Singapore and RSL Enterprise Solutions (Pty) Limited, South Africa.

## 4. Deferred Tax

In the perception of the Company, provisioning of Deferred Tax Assets / Liabilities does not arise.

## 5. Research & Development

### R&D Asset classification-India

In line with the Company's stated policy on Intangible Assets, the research and development efforts are classified and capitalised into "Product Software" and "Technology Platform" as below:

	(Rs. in lacs)	(USD Million)
Total research & development expenditure capitalised during the year, as per Schedules 6 to R&D Accounts	1,818.84	5.27
Add : Transfer from opening Capital Work in progress	856.30	2.48
<b>Total</b>	<b>2,675.14</b>	<b>7.75</b>
of the above,		
Shown as "Technology Platform" under Fixed Assets	1,445.86	4.27
Shown as "Product Software" under Fixed Assets	1,229.28	3.48
<b>Total</b>	<b>2,675.14</b>	<b>7.75</b>

**Switzerland:**

During the year, the un-amortized research and development expenditure as on 1<sup>st</sup> April 2004 amounting to Rs.638.25 lacs (USD 1.46 million) has been transferred to the parent company.

**6. Equity and Share Premium****India:****a) Preferential Issue:**

The shareholders, in the Extraordinary General Meeting of the Company, held on 24<sup>th</sup> December 2003, approved the issue of the following equity shares to the named promoters on a preferential basis, at a price of Rs. 331 per share (face value per share Rs.10 and premium per share Rs.321), aggregating in all to Rs. 2,023.90 lacs:

i) Madras Cements Ltd.	385,349 equity shares aggregating to Rs. 1,275. 51 lacs
ii) Ramco Industries Ltd.	60,000 equity shares aggregating to Rs. 198.60 lacs
iii) Shri. P.R. Ramasubrahmaneya Rajha	15,100 equity shares aggregating to Rs. 49.98 lacs
iv) Shri. P.R. Venketrama Raja	151,100 equity shares aggregating to Rs. 499.81 lacs

Utilization of the proceeds from the Preferential Issue:

The proceeds of the issue were fully used for corporate actions like capital expenditure, augmenting working capital, replacing high cost debts and general corporate purposes.

**b) Rights Issue of 2003:**

Out of the calls in arrears from members holding 111,500 shares amounting to Rs.11,150,000 (USD 0.25 million) as on 31<sup>st</sup> March 2004, calls in respect of 1,228 shares were remaining unpaid. These 1,228 shares were forfeited on 23<sup>rd</sup> February 2005.

**Utilisation of Rights Issue proceeds:**

Particulars	Projection as per Letter of Offer	Actuals 2003-04	Actuals 2004-05	(Rs. in lacs)
				Total
<b>Requirement of Funds</b>				
Working Capital	6,670.00	3,948.46	2,360.27	6,308.73
Research & Development	2,350.00	3,255.89	-	3,255.89
Marketing Development	1,410.00	481.14	-	481.14
Capital Expenditure	600.00	506.42	-	506.42
Issue Expenses	200.00	254.61	-	254.61
	11,230.00	8,446.52	2,360.27	10,806.79
<b>Means of Finance</b>				
Rights Issue Proceeds	7,745.00	7,633.52	110.27	7,743.79
Reduction of borrowing in 03-04 with Right Issue proceeds and re-drawal in 04-05		(2,250.00)	2,250.00	-
Term Loans / Short Term Loans / Working Capital Loans	3,485.00	3,063.00	-	3,063.00
<b>Total</b>	<b>11,230.00</b>	<b>8,446.52</b>	<b>2,360.27</b>	<b>10,806.79</b>

**c) Employee Stock Option Plan 2000 (ESOP 2000) and Employee Stock Option Scheme 2003 (ESOS 2003)**

Pursuant to the Company's ESOP 2000 and ESOS 2003, employees have exercised their options and were allotted shares on 28<sup>th</sup> March 2005 as per the details given below:

Description	No. of options Exercised	Exercise price per option Rs.	Face value per share Rs.	Premium per share Rs.
ESOP 2000	6,650	227	10	217
ESOS 2003	13,750	284	10	274
<b>Total</b>	<b>20,400</b>			

d) Increase in share capital and premium is given below:

	(Rs. in lacs)	
Increase on account of	Share capital	Share premium
Opening balance	1,159.66	31,103.75
Preferential Issue	61.14	1,962.75
Realisation of calls in arrears in respect of Rights Issue 2003	5.58	105.93
Shares forfeited during the year	(0.06)	(1.17)
Exercise of options under ESOP 2000 Scheme	0.67	14.43
Exercise of options under ESOS 2003 Scheme	1.38	37.68
<b>Closing balance</b>	<b>1,228.36</b>	<b>33,223.36</b>
Less: Adjustments as per Scheme of arrangement (please refer note no.13 also)		
a) Trade Receivables from subsidiaries		8,802.04
b) Accumulated Loss		11,076.69
<b>Net Balance</b>		<b>13,344.63</b>

7. Earnings per share [EPS]

	2004-2005		2003-2004	
	Rs.	USD	Rs.	USD
Profit/(Loss) after tax (A)	(679,261,366)	(15,130,465)	(491,989,643)	(10,712,847)
Weighted Average Equity shares outstanding (B)	11,760,080	11,760,080	8,674,268	8,674,268
EPS-Basic & Diluted (per share of Rs.10/- each) (A/B)	(57.76)	(1.29)	(56.72)	(1.24)

8. Proportionate equity in the earnings of Affiliate Triamun Ramco Healthcare Systems Limited for the year Jan 2004-Dec 2004 and Redlex 47 (Proprietary) Limited for the year Mar 2004-Feb 2005 is recognized in the Profit and Loss Account.

9. **Related Party Transactions:** As per Accounting Standard (AS 18) issued by the Institute of Chartered Accountants of India, the Company's related parties are given below:

a. **Key Management Personnel and Relatives [KMP]**

1. Shri.P.R.Ramasubrahmaneya Rajha
2. Shri.P.R.Venketrama Raja

b. **Enterprises over which the above persons exercise significant influence and with which the Company has transactions during the year [Group]**

1. Rajapalaiyam Mills Ltd.,
2. Madras Cements Ltd.,
3. Ramco Industries Ltd.,
4. The Ramaraju Surgical Cotton Mills Ltd.,

**The Company's transactions with the above Related Parties are given below :**

Current Year		Group (Rs.)	Group (USD)	KMP (Rs.)	KMP (USD)
Loans availed	Transaction during the year	597,000,000	13,683,245	-	-
	Outstanding as on 31.03.05	150,000,000	3,438,001	-	-
Loans given	Transaction during the year	-	-	-	-
	Outstanding as on 31.03.05	1,400,500	32,099	-	-
Interest paid	Transaction during the year	8,868,137	197,483	-	-
Sale of goods & services	Transaction during the year	10,391,010	231,396	-	-
	Outstanding as on 31.03.05	210,523	4,825	-	-
Purchase of Assets	Transaction during the year	219,927	4,898	-	-
	Outstanding as on 31.03.05	9,403	216	-	-
Preferential Issue	Transaction during the year	147,410,519	3,378,650	54,979,100	1,260,121
Previous Year					
Loans availed	Transaction during the year	330,000,000	7,523,940	-	-
	Outstanding as on 31.03.04	66,889,341	1,525,065	-	-
Loans given	Transaction during the year	-	-	-	-
	Outstanding as on 31.03.04	1,400,500	31,931	-	-
Interest paid	Transaction during the year	9,647,384	210,067	-	-
Sale of goods & services	Transaction during the year	20,228,039	440,456	-	-
	Outstanding as on 31.03.04	3,703,214	84,433	-	-

The above transaction were done in the ordinary course of business and at commercial rates. Details of corporate guarantees given by Group are given in Note No. 2.

## 10. Segment Revenue

In accordance with Accounting Standard 17, issued by the Institute of Chartered Accountants of India, the Company has determined its primary operating segments as:

**Product Software and Related Services:** Engaged in the development, licensing, implementation and maintenance of software solutions.

**Other software services:** Engaged in providing professional services and implementing projects, and consisting of two sub-segments, being (i) Project and Other Software Services and (ii) CRM and Other IT Services.

**Network Solutions:** Engaged in the development and sale of network and communication hardware, security software and other related services.

These operating segments were identified from the structure of the Company's internal organization.

### Primary Segment:

The revenues and results of each of the primary segments are given below:

Segment Revenue - Primary Segments	For the year ended March 31,			
	2005		2004	
	(Rs. in Lacs)	(USD Million)	(Rs. in Lacs)	(USD Million)
<b>1. Revenue</b>				
A. Product Software and related Services	10633.40	23.68	7575.04	16.50
<b>B. Other Software Related Services:</b>				
B. 1. Project and Other Software Services	2672.66	5.95	2363.53	5.15
B. 2. CRM and Other IT Services	4089.98	9.11	3385.90	7.37
<b>B. Other Software Related Services Total</b>	<b>6762.64</b>	<b>15.06</b>	5749.43	12.52
C. Secured Convergent Networking Solutions	4655.40	10.37	3768.01	8.20
<b>Total</b>	<b>22051.44</b>	<b>49.11</b>	17092.48	37.22
Less: Inter Segment Revenue	-	-	-	-
<b>Net Sales / Income from Operations</b>	<b>22,051.44</b>	<b>49.11</b>	17,092.48	37.22
<b>2. Segment Profit / (Loss) before tax and interest</b>				
A. Product Software and related Services	1,637.42	3.65	(328.31)	(0.71)
<b>B. Other Software Related Services:</b>				
B. 1. Project and Other Software Services	(983.74)	(2.19)	(541.99)	(1.18)
B. 2. CRM and Other IT Services	368.10	0.82	308.85	0.67
<b>B. Other Software Related Services Total</b>	<b>(615.64)</b>	<b>(1.37)</b>	(233.14)	(0.51)
C. Secured Convergent Networking Solutions	146.40	0.33	82.01	0.18
<b>Total</b>	<b>1,168.18</b>	<b>2.61</b>	(479.44)	(1.04)
Less: Interest	1,161.76	2.60	1,261.97	2.75
Less: Other unallocation expenditure net of unallocable income	3,267.09	7.28	3,177.09	6.91
Less: Extra ordinary Items	3,499.21	7.79	-	-
Less: Current Taxation	63.02	0.14	2.75	0.01
Add: Equity in Earnings /(Losses) of affiliates	30.29	0.07	1.35	-
<b>Profit/(Loss) before Tax</b>	<b>(6,792.61)</b>	<b>(15.13)</b>	(4,919.90)	(10.71)

### Secondary Segment:

The Company's secondary reporting segment is the geographies from which the revenues accrue and they have been identified as:

India and Middle East region, consisting of India and the Middle East, Africa mainly consisting of South Africa.

Asean, consisting of Malaysia, Singapore, Thailand, Philippines and other countries in the region.

Europe, consisting of United Kingdom, Switzerland, Germany and Benelux countries.

America, mainly consisting of North and South America and rest of the world.

The revenues and results of each of the geographies are given below:

SECONDARY SEGMENT REPORTING											For the year ended 31-Mar-2005	
Particulars	India & Middle East		Asean		Europe		America		Total			
	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)		
A. Product Software and Related Services	7,178.71	15.99	786.78	1.75	1,568.01	3.50	4,853.92	10.81	14,387.42	32.05		
B. 1. Project and Other Software Services	1,971.90	4.39	131.43	0.29	1,134.06	2.53	655.34	1.46	3,892.73	8.67		
B. 2. CRM and Other IT Services	233.50	0.52	-	-	59.32	0.13	3,797.20	8.46	4,090.02	9.11		
C. Network Solutions	4,369.94	9.73	280.38	0.62	-	-	-	-	4,650.32	10.35		
Total Revenue	13,754.05	30.63	1,198.59	2.66	2,761.39	6.16	9,306.46	20.73	27,020.49	60.18		
Less: Inter Segment Revenue	4,969.05	11.07	-	-	-	-	-	-	4,969.05	11.07		
Net Sales / Income from Operations	8,785.00	19.56	1,198.59	2.66	2,761.39	6.16	9,306.46	20.73	22,051.44	49.11		

SECONDARY SEGMENT REPORTING											For the year ended 31-Mar-2004	
Particulars	India & Middle East		Asean		Europe		America		Total			
	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)	(Rs. in lacs)	(USD Mln.)		
A. Product Software and Related Services	3,000.87	6.54	1,432.75	3.12	1,434.00	3.13	3,238.44	7.05	9,106.06	19.84		
B. 1. Project and Other Software Services	1,122.35	2.44	115.14	0.25	1,159.10	2.52	524.48	1.14	2,921.07	6.35		
B. 2. CRM and Other IT Services	118.97	0.26	-	-	-	-	3,266.90	7.11	3,385.87	7.37		
C. Network Solutions	3,777.48	8.23	100.15	0.22	-	-	-	-	3,877.63	8.45		
Total Revenue	8,019.67	17.47	1,648.04	3.59	2,593.10	5.65	7,029.82	15.30	19,290.63	42.01		
Less: Inter Segment Revenue	2,198.15	4.79	-	-	-	-	-	-	2,198.15	4.79		
Net Sales / Income from Operations	5,821.52	12.68	1,648.04	3.59	2,593.10	5.65	7,029.82	15.30	17,092.48	37.22		

Inter segment revenues under India & Middle East segment represents the value of services rendered by the Company under revenue segments (a) and (b) above to its subsidiaries located in the other secondary segments.

The Company believes that it is not practical to provide details of segmental assets (except those identified as related to Research and Development activities and to units located at the Software Technology Park) that are used interchangeably among segments. Significant liabilities contracted are based on the Company's requirements on the whole and are not identifiable to any of the reportable segment and as such have not been disclosed separately.

#### 11. Minority Interest:

The share of Minority Interest in Ramco Systems Corporation, USA, has been shown separately in the Balance Sheet.

#### 12. Note on extraordinary items

Expenses under the head "Extraordinary Items" represent the value of asset impairment amounting to Rs. 3,104.18 lacs (USD 6.91 million) (previous year Nil) on account of investment in the Product Software R&D and other recoverable loans & advances, which in the opinion of the Company, needs to be provided in accordance with Accounting Standard-28 and diminution in the value of investment amounting to Rs. 395.03 lacs (USD 0.88 million) (previous year Nil) in accordance with Accounting Standard 13, issued by The Institute of Chartered Accountants of India.

#### 13. Scheme of Arrangement and related matters :

The shareholders of the Company, in the Extraordinary General Meeting convened under the directions of the Hon'ble High Court of Madras, pursuant to an application made by the Company and held on the 6<sup>th</sup> June 2005, approved the



implementation by the Company of a scheme of arrangement, whereby the accumulated losses of the Company as it would appear as on 31<sup>st</sup> March 2005 and the amounts due to the Company from its overseas subsidiaries viz., Ramco Systems Corporation, USA, Ramco Systems Ltd., Swiss and Ramco Systems Pte Ltd., Singapore amounting to an amount of Rs 88.02 crs, both aggregating together upto an amount not exceeding Rs 200 crs. would be set off against the share premium account. The scheme was duly approved by the Hon'ble High Court of Madras vide its order dated 4<sup>th</sup> August 2005. The Company has also obtained necessary approvals from its secured creditors and other statutory authorities that were required for carrying out the implementation of the said scheme.

Pursuant to the receipt of necessary approvals, the Company has set off the following amounts against the share premium account:

	Rs.Crores
1. Accumulated losses as on 31 <sup>st</sup> March 2005 (inclusive of the losses for the current year ended 31 <sup>st</sup> March 2005)	110.77
2. Amounts due from its overseas subsidiaries, towards royalties, service charges and reimbursement of expenses as below:	
a. Ramco Systems Corporation -USA	37.96
b. Ramco Systems Ltd., ,Switzerland	43.20
c. Ramco Systems Pte. Ltd., Singapore	6.86
Sub total	<u>88.02</u>
Total	<u>198.79</u>

In addition to the waiver of dues referred under item (2) above, the Company also converted loans advanced to and due from Ramco Systems Ltd, Switzerland to the extent of Rs.15.30 crs and Ramco Systems Corporation, USA to the extent of Rs.31.40 crs., aggregating together to an amount of Rs.46.70 crs., into equity shares of the respective subsidiaries. Pursuant to an approval from the Reserve Bank of India, the subsidiaries referred above also carried out the financial restatements, in accordance with and in compliance with the local regulations, of the respective accounts by setting off their accumulated losses appearing as on 31<sup>st</sup> March 2005, against the equity share capital / share premium as applicable, without effecting any extinguishments in the number of shares, as detailed below:

		(USD)
<b>a) Ramco systems Corporation, USA:</b>		
<b>Particulars</b>	<b>No. of shares</b>	<b>Total Value</b>
Share capital as on 31.03.05	125,970,800	12,502,080
Add: Capitalisation of Loan due to the parent company	71,593,750	7,159,375
Sub-total	197,564,550	19,661,455
Less: Set off of accumulated losses		(16,790,130)
<b>Final Share Capital as on 31.03.05</b>	<b>197,564,550</b>	<b>2,871,325</b>
<b>b) Ramco Systems Ltd., Swiss:</b>		(CHF)
<b>Particulars</b>	<b>No. of shares</b>	<b>Total Value</b>
Share capital as on 31.03.05	9,600	9,600,000
Add: Capitalisation of Loan due to the parent company	1,390,400	4,436,363
Sub-total	1,400,000	14,036,363
Less: Set off of accumulated losses		(11,143,320)
<b>Final Share Capital as on 31.03.05</b> (inclusive of share premium of CHF 1,493,043)	<b>1,400,000</b>	<b>2,893,043</b>

The market development phase of the business in both the above subsidiaries is good in the opinion of the management of the Company and accordingly the restatements made in the financial statements of the respective subsidiaries, to facilitate a proper compliance as per the local regulations and also to provide a clear understanding of the same, to the present / prospective customers and financial institutions in the respective geographies, do not reflect a diminution in the value of the investments made by the Company in the respective subsidiaries. Accordingly, the difference in the value of investments in the equity capital of the subsidiaries as appearing in the books of accounts of the Company and the corresponding amounts of the equity capital in the books of accounts of the respective subsidiaries is reflected as "Goodwill" in the "Consolidated Financial Statement" of the Company and its subsidiaries prepared in accordance with AS 21.

14. For translating local currency of subsidiaries into Indian Rupees the exchange rate applied is as per serial number III of the accounting policies given above. The figures in the US Dollars given alongside the Indian Rupees are provided by way of additional information and are obtained by converting the assets and liabilities at the exchange rates in effect at the balance sheet date, except share capital and share premium which are converted at the exchange rate prevailing on the date of transaction and the revenues, costs and expenses at the average exchange rate prevailing during the reporting period. The resultant gains or losses are taken to the translation reserve.

15. The figures have been rounded off to the nearest rupee and previous year's figures have been regrouped / recast wherever necessary to make them comparable with that of the current year.

As per our Report Annexed For <b>CNGSN &amp; Associates</b> Chartered Accountants	<b>P. R. RAMASUBRAHMANEYA RAJHA</b> Chairman	<b>S.S. RAMACHANDRA RAJA</b>  <b>N.K. SHRIKANTAN RAJA</b>
<b>C.N. GANGADARAN</b> Partner	<b>P.R. VENKETRAMA RAJA</b> Vice Chairman, Managing Director & CEO	<b>V. JAGADISAN</b> Directors

Place: Chennai  
Date : 29th October, 2005

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005

	Year Ended 31.03.2005		Year Ended 31.03.2005		Year Ended 31.03.2004		Year Ended 31.03.2004	
	Rs.	Rs.	USD	USD	Rs.	Rs.	USD	USD
<b>A. Cash Flow From Operating Activities</b>								
Net Profit / (Loss) before tax-after prior year expenditure		(691,960,712)		(15,409,162)		(491,849,473)		(10,709,795)
Add: Interest		116,176,214		2,587,109		126,196,237		2,747,865
		(575,784,498)		(12,822,053)		(365,653,236)		(7,961,930)
Add: Depreciation	178,504,925		3,975,097		109,233,100		2,378,499	
Amortisation	90,900		2,024		80,188,785		1,746,074	
Extraordinary Expenses	349,920,994		7,792,334		-		-	
		528,516,819		11,769,455		189,421,885		4,124,573
		(47,267,679)		(1,052,598)		(176,231,351)		(3,837,357)
Less: Interest Received	3,958,422		88,149		4,686,889		102,055	
Profit on sale of assets	(2,972,714)		(66,199)		(1,029,507)		(22,417)	
Miscellaneous Income	35,804,908		797,333		11,755,125		255,962	
		36,790,616		819,283		15,412,507		335,600
		(84,058,295)		(1,871,881)		(191,643,858)		(4,172,957)
<b>Operating Profit before Working Capital Changes</b>								
Less: Increase / Decrease in Current assets:								
Trade and Other receivables	292,568,200		6,911,097		(111,478,740)		(296,229)	
Inventories	(128,136)		379		(16,107,562)		(293,425)	
Other current assets	(22,992,395)		(521,003)		22,059,522		549,775	
[other than Cash and Bank]		(353,505,964)		(8,262,354)		(86,117,078)		(4,133,078)
Add: Increase/Decrease in Current Liabilities:								
Trade Payables & Taxes	123,065,165		2,870,521		(12,977,878)		426,934	
Bank Borrowings	(43,991,657)		(972,210)		(327,713,128)		(6,411,028)	
		79,073,508		1,898,311		(340,691,006)		(5,984,094)
		(274,432,456)		(6,364,043)		(426,808,084)		(10,117,172)
<b>Cash generated from operations</b>								
Interest payments		116,176,214		2,587,109		126,196,237		2,747,865
<b>Net Cash used in / from operating activities</b>		(390,608,670)		(8,951,152)		(553,004,321)		(12,865,037)

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005**

	Year Ended 31.03.2005		Year Ended 31.03.2005		Year Ended 31.03.2004		Year Ended 31.03.2004	
	Rs.	Rs.	USD	USD	Rs.	Rs.	USD	USD
<b>B. Cash Flow from Investing Activities:</b>								
Purchase of Fixed assets	(71,300,352)		(1,634,205)		(78,203,732)		(1,733,680)	
Investment in R&D Activities/Misc.exp.	(181,915,985)		(4,179,808)		(259,252,531)		(6,162,645)	
Investment in Companies / Mutual Funds	36,606,959	(216,609,378)	783,169	(5,030,844)	(41,222,739)	(378,679,002)	(937,863)	(8,834,188)
Less: Sale of fixed assets	5,026,529		115,208		2,559,937		48,405	
Equity in Earnings /( Losses) of Affiliates-2004-05	3,028,943		67,451		134,600		2,931	
Equity in Earnings /( Losses) of Affiliates-2002-03	-		-		1,364,139		29,703	
Interest received	3,958,422		88,149		4,686,889		102,055	
Miscellaneous Income	35,804,908		797,333		11,755,125		255,962	
Profit on sale of assets	(2,972,714)	44,846,088	(66,199)	1,001,942	(1,029,507)	19,471,183	(22,417)	416,639
<b>Net cash used in Investing Activities</b>		(171,763,290)	(4,028,902)		(359,207,819)		(8,417,549)	
<b>C. Cash Flow from Financing Activities</b>								
Proceeds from Issue of Share Capital	218,831,361		5,019,477		740,875,734		16,448,186	
Proceeds from secured borrowings	251,710,731		5,769,212		-		-	
Proceeds from unsecured borrowings	609,701,617	1,080,243,709	13,974,367	24,763,056	400,000,000	1,140,875,734	9,119,927	25,568,113
Less: Repayment of Unsecured Borrowings	457,578,750		10,381,216		140,438,750		2,143,610	
Income Tax	6,302,007		144,442		274,771		5,983	
Repayment of secured borrowings	24,898,651	488,779,408	560,819	11,086,477	4,571,415	145,284,936	(42,058)	2,107,535
<b>Net Cash from financing activities</b>		591,464,301		13,676,579		995,590,798		23,460,578
<b>Net Increase / (Decrease) in cash and cash equivalents</b>		29,092,341		696,525		83,378,658		2,177,992
<b>Cash and Cash equivalents as on 01.04.04</b>	247,326,321		5,638,994		163,947,663		3,461,002	
<b>Cash and Cash equivalents as on 31.03.05</b>	276,418,662	29,092,341	6,335,519	696,525	247,326,321	83,378,658	5,638,994	2,177,992

As per our Report Annexed  
For **CNGSN & Associates**  
Chartered Accountants

**C.N. GANGADARAN**  
Partner

Place: Chennai

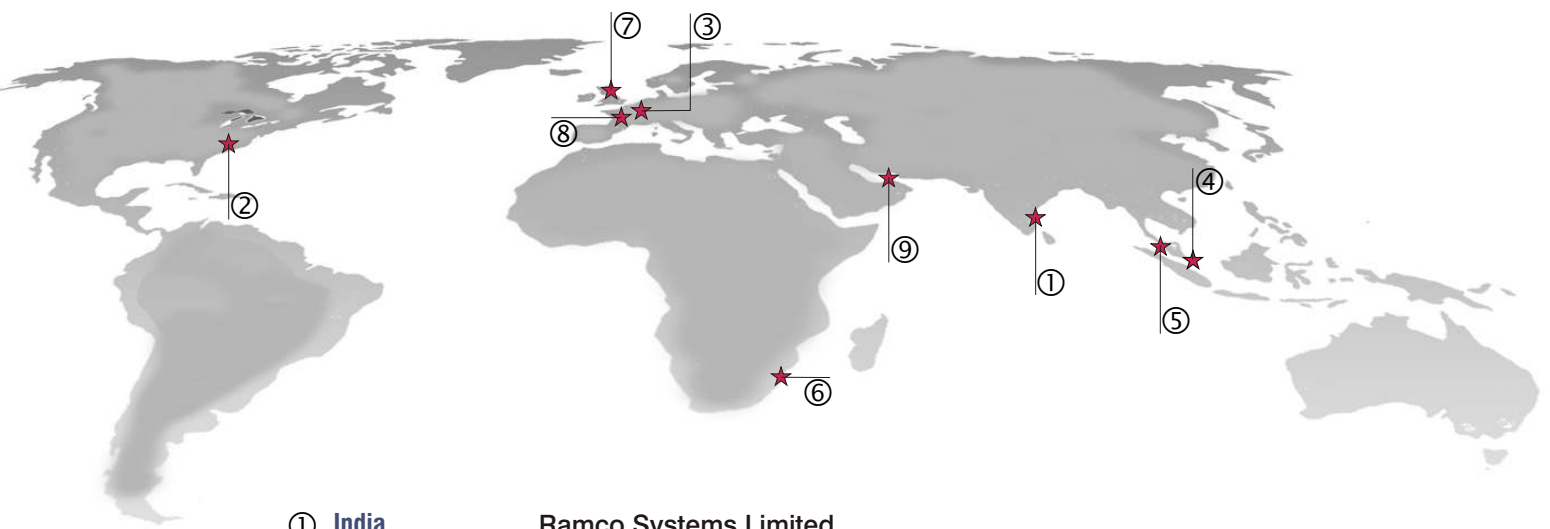
Date : 29th October, 2005

**P. R. RAMASUBRAHMANEYA RAJHA**  
Chairman

**P. R. VENKETRAMA RAJA**  
Vice Chairman, Managing Director & CEO

**S. S. RAMACHANDRA RAJA**  
**N.K. SHRIKANTAN RAJA**

**V. JAGADISAN**  
Directors



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