



The agility to transform



ramco

Unveiling a new identity

The new logo is a visually abstract rendition of our core thought “transformation”! While the shape bears a resemblance to the symbol of infinity, it appears in a highly fluid and elastic state. This state of flux positions the brand at the level where flexibility and adaptability to change are highly valued. A near infinite capacity to adapt and change in accordance with the need is the central idea behind the new identity.

Moving into the bigger league in the global IT product space, Ramco has initiated a series of transformational initiatives. Here’s a broad outline of the various transformations under the four important aspects of an enterprise – business, technology, process and people.





Transforming Business

We transformed the way companies implement business process applications. In the process, we transformed ourselves from a mid-sized ERP vendor to a global business applications provider.

This transformation is enabled by a powerful and proven technology - the Ramco Business Process Platform (BPP). With BPP, we can leverage our investments in technology and cater to a wider market.

With "Ramco ERP OnDemand", we have redefined ERP in India, by turning it into a "software subscription service". This path-breaking innovation makes ERP affordable for SME customers.

In the aviation business, we provided our Aviation suite as an ASP model to Caribbean Airlines and KD Avia. The year also saw business coming in from Mexico, Germany, South Korea and Russia.

We increased our focus on business applications. We have hived off the Secured Converged Networking business into a separate subsidiary – Ramco Infotech Solutions Limited. And we initiated divestment of 100% of our stake in RITS to the TVS group.

Transforming Technology

We continuously transform technology to address emerging business opportunities.


In sync with Gartner's vision of a "Business Process Approach" to delivering enterprise applications, we have taken an innovative approach to application development. We are now in a position to enable fast and flexible deployment of business applications.

Our Business Process Delivery System™ (BPDS) uses the latest business process modeling and service-oriented technologies, to help companies implement business processes quickly, effectively and manage them independently from the application architecture or infrastructure. Hence, when a customer's business changes, their systems change too.

BPDS supports a full-fledged Integrated Services environment for managing SOA (Service Oriented Architecture) initiatives of organizations. This elevates Ramco to a select league of well-known software companies that can help customers align their business and IT through a Business Process Platform strategy. Ramco is now a member of the SOA consortium.

Another technology milestone achieved during the year is the support for "open source stack" for business applications. We can now provide solutions to customers whose mandate is to use open source software wherever possible.

We have entered into a partnership with Relativity Technologies for legacy modernization initiatives. This partnership uses the new Business Process Platform to help customers gradually transform their legacy systems into modern technologies.





Transforming Process

As leading providers of business applications that support business processes, it is vital that our own internal business processes conform to global best practices. We continuously strive to improve our processes and benchmark them against the best in the business.

At Ramco, quality is a continuous journey with the objective of process standardization and perfection. We are ISO 9001 and ISO 27001 certified and have been successfully assessed at CMMI Level 5, a rare distinction for a software product company.

During the year, we undertook several process improvement initiatives. The most notable among these was RISE – Ramco's Initiative for Six Sigma Empowerment. Six Sigma is an overarching methodology that leads to business improvement. It is a proven set of tools for achieving transformational change within an organization.

We have chosen ECS Limited to implement Six Sigma at our R&D center in Chennai. RISE will help us increase customer satisfaction, predict revenue more accurately, reduce costs and deliver consistent quality.

During the year, our Chief Operating Officer initiated RISE programs aimed at transforming our organization. They include Sales Pipeline Review and Quality of Pipeline, Resource Utilization, RFP Effectiveness, Retention of Key Talent, Training, Sales Effectiveness, Mentorship for Key Talent, Thought Leadership through Research/White Papers and 3-month Rolling Plan. Some of these programs have been institutionalized and the rest are being implemented globally.

These process transformations are preparing us to meet the challenges of global business.

Transforming People

We believe that people are the key to successful transformation. We have striven to motivate and help employees be the best they can be.

The "Pride@Ramco" scheme now helps us recognize and reward top performers every quarter. Some of the award categories include Star of the Team, Team of the Quarter, Employee of the Quarter and Outstanding Employee of the year.

During the year that has passed, we brought in senior professionals with proven expertise in marketing, training, sales and consulting.

We have fostered a greater sense of ownership and commitment by developing a new compensation structure that is linked to profitability. It also gives us greater flexibility to reward top performers.

A Developmental Appraisal System now helps us bridge the gap between employee performance and potential, by continuously monitoring performance. This helps employees realize their true potential, add more value and grow rapidly.

This multi-faceted transformation of Ramco is aptly reflected in its new brand identity. This identity was developed and facilitated by our global communications partner – Ogilvy & Mather (O&M). O&M executed the project scientifically through brand audits among Ramco's stakeholders worldwide (both internal and external), dip tests and extensive market research.

Our people are now empowered to effectively leverage our transformation into a global business applications provider.

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Letter to the Shareholders



P.R. Ramasubrahmaneya Rajha



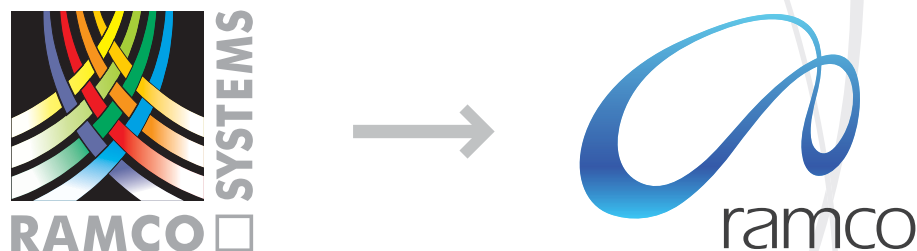
P.R. Venketrama Raja

Dear Shareholders,

We are happy to share with you the significant transformation of your company on multiple fronts during the financial year 2006-07. The year has been a landmark one and the scale of changes made during the year is the first of its kind that your company has experienced.

The most significant, notable and long-impacting transformation has been in the visual identity of your company. The company's logo has been refreshed to truly reflect the values we promise and benefits we deliver to our customers.

The logo is a visual rendition of this core thought of "Transformation". It speaks of a brand that values flexibility and adaptability to change.



To stay ahead and grow, our customers keep transforming their business on an ongoing basis. They seek powerful IT solutions that actively support and enable this transformation. Our suite of business applications, built and delivered using the Ramco business process platform, delivers immense flexibility with the ability to quickly adapt to changing business needs. This is aptly summarized in our brand promise – "when your business changes, your system changes".

During the year, the company further enriched its application platform – Ramco VirtualWorks and renamed it Ramco Business Process Platform (Ramco BPP). Currently, there are over a hundred projects that have been delivered using Ramco BPP. Many of these projects are already live and customers are realizing the tangible benefits of trusting and investing in Ramco's innovative approach to building and delivering next generation business applications. Several customers have reposed their faith in our solutions and placed repeat orders.

Your company has further expanded its portfolio of offerings in line with the emerging business opportunities and demands. The company has pioneered an ERP suite on a hosted/subscription model in India. The solution – Ramco ERP OnDemand has been well received and is gaining good traction. To cater to the Middle-East market, we have launched QuickERP - a flavour of Ramco's proven ERP suite during GITEX in November 2006.

Several strategic projects in Aviation, eGovernance, BFSI and Manufacturing are underway across the globe. These projects are long-term engagements and are expected to bring in predictable and sustainable revenues over the medium-term.

The Aviation Solutions business further expanded its global footprint to include Australia, Russia & China. During the year, several aviation projects went live they included ERA Helicopters, Virgin America and Air New Zealand, to name a few. The year also marked Ramco offering its Aviation suite on an ASP model for the first time, to Caribbean Airlines.

Business partnerships and strategic tie-ups are the best way forward to leverage the emerging market opportunities. During the year, Ramco has invested in a few such important relationships including the partnership with Relativity Technologies to offer legacy modernization solutions.

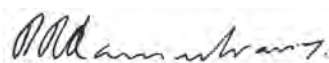
During the year, your company successfully ventured into emerging verticals such as real estate, construction, temperature-controlled supply chain with notable order wins.

On the quality and process front, the company has initiated a Six-Sigma program for continuous process improvement. Nine special programs targeted at improving efficiency effectiveness of various facets of the organization have been rolled out successfully.

During this period, the company achieved USD 59.23 million in global revenues across all its business lines and international subsidiaries.

All these initiatives are expected to transform Ramco into a profitable next generation business application provider in the coming years.

Warm regards,



P.R. Ramasubrahmaneya Rajha
Chairman



P.R. Venketrama Raja
Vice Chairman & Managing Director

Ramco is transforming itself into a customer-led, global organization with an increased focus on marketing, global best practices and world-class talent, backed by a proven technology.

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

UTI Bank Limited
Citibank N.A.
Federal Bank Limited

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 Sytems 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 Tenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2007.

Financial Results

(In Rs.Million)

Description	For the year ended 31st March, 2007*	For the year ended 31st March, 2006
Net Sales/Income from Operations	785.71	1174.68
Other Income	82.96	43.33
Total Income	868.67	1218.01
Expenditure		
- Cost of Resale Material	13.53	386.32
- Staff Cost	611.57	604.37
- Sales & Marketing expenses	22.07	17.66
- Administration & Other Expenses	195.71	233.64
Total Expenditure	842.88	1241.99
Earnings Before Interest, Depreciation & Tax	25.79	(23.98)
Interest	129.11	125.43
Depreciation	213.91	183.07
Profit / (Loss) Before Tax	(317.23)	(332.48)
Provision for Taxation	4.80	8.20
Profit/(Loss) After tax	(322.03)	(340.68)

* Please refer Note No. 18 of Notes on Accounts.

BUSINESS OPERATIONS OVERVIEW

This year, the Company has transformed itself on multiple fronts, to take advantage of the emerging opportunities and position itself as a global provider of flexible business applications. The scale of changes initiated is the first of its kind and includes transformation in the business, the technology, the business processes and the people.

The Company has initiated this transformation with the objective of moving beyond the current market perception of Ramco being a mid-sized ERP vendor. While the Company continues to market its ERP offerings in some of the markets (like India, Middle-east, Asia-Pacific), Ramco would like to leverage its proven and powerful Business Process Platform – Ramco BPP (earlier called Ramco VirtualWorks) and deliver Composite Applications with built-in flexibility and change-on-demand.

Towards this, in February this year, at the Gartner BPM conference in San Diego, USA, Ramco announced a new approach to application development that enables fast, flexible deployment and change on demand of business applications. Using the latest in business process modeling and service-oriented technologies, the Ramco Business Process Delivery System (BPDS) helps companies quickly develop and deploy enterprise applications that adapt to the way Customers do business.

To keep pace with today's customer-driven business environment, enterprise applications need to adapt to the business, and not the other way around. Yet for most companies, current, monolithic software applications are no longer meeting business demands. Business users are frustrated by inflexible applications and IT departments are plagued by heterogeneous business systems, a growing number of legacy applications and proprietary software stacks that limit agility.

To help customers address these challenges, Ramco has developed the Ramco BPDS approach that helps companies implement business processes more quickly and effectively by modeling and managing them independently from the application architecture or infrastructure. Ramco now delivers model-based applications that are composed, not coded, using existing or newly created business assets with an adaptable and scalable IT infrastructure.

Apart from the US market, the Company launched this new approach in India and the Middle-east through press conferences. The new approach is well received and we expect this to translate into more orders in the coming years.

Currently, 140 projects are under various stages of execution using this innovative approach and the Customers are deriving tangible business benefits.

The year also witnessed the Company entering into a few strategic alliances, both in the business and technology domains. The Company's partnership with Relativity Technologies for legacy modernization initiatives helps us to complement our service offerings. The technology provided by Relativity helps us in discovering the functionality in the legacy applications and this can be used by us for supporting the transformation of these legacy systems into modern technologies in a phased manner using our Ramco BPP.

During the year, Ramco initiated a Six Sigma program called RISE - Ramco's Initiative for Six Sigma Empowerment. Six Sigma is an overall methodology that drives business improvement and is a proven tool set for driving and achieving transformational change within the organization.

The Company continues to enjoy the Gold certified partner status of Microsoft. In addition, the Company has become a certified partner of IBM and has received the 'Valuable HP micro-vertical partner award' from HP.

Global revenues of Ramco Systems Limited for the year including its international subsidiaries in USA, Switzerland, Singapore, Malaysia, South Africa and branch offices in UAE, UK and Germany registered USD 59.23 million.

GLOBAL OPERATIONS

During the year, our Indian Operations grew significantly through focused marketing efforts in select verticals like IT/ITES, Infrastructure, manufacturing and BFSI. These verticals are expected to perform well in the next fiscal year and will continue to offer growth avenues. In addition to these, Ramco will focus on Small and Medium Businesses(SMB) and emerging segments. Our India operations registered revenues of Rs. 78.57 Crores and added new verticals such as construction, temperature controlled logistics and retail to its ERP portfolio. During the year, India recorded excellent growth in business – both new order wins and repeat business.

Our BFSI practice continued to win repeat orders for banking applications from large multi-national financial services company. During the year, the Process Optimization business won an order from Birla Corporation to implement Ramco Optima™. The division has also won an end-to-end process automation order from a leading cement manufacturer based in Andhra Pradesh.

Another achievement by the Process Optimization group is the creation of a Ramco Optima cement simulator for the National Council for Cement and Building Materials (NCCBM), Hyderabad. NCCBM trains cement professionals in India and from abroad using the simulator.

Ramco Systems Global Aviation Solutions Group continued on the path of meeting objectives in growth through direct and indirect expansion in sales and securing new business globally in the Airline, Specialty and Rotor Craft Market for its Maintenance & Engineering (M&E) and Maintenance Repair & Overhaul (MRO) & Aviation ERP Software Applications.

Some of the highlights include the following Customers going live using the Aviation Software Applications: ERA Helicopters, Gulf Helicopters, Virgin America, Air New Zealand's - Safe Air Limited MRO Company and Jeju Air.

Recent wins include the Mexico's Regional Airline Carrier – Aerolitoral, ADAC Luftfahrt Technik GmbH in Germany, Caribbean Airlines, Pinnacle Airlines (PNCL) and KD Avia in Russia amongst others.

The Aviation Solutions Group further expanded its presence in the Americas, EMEA (Europe, Middle East, and Africa) and Asia Pacific with direct and indirect Sales and Marketing initiatives and expansion within Australia and China.

The Middle East (MENA) operations gained significant traction during the year, including new order wins from a leading bank and a recognized trading firm. The region also secured repeat business from its aviation customers that include Alsalam Aircraft Company, Riyadh and Gulf Helicopters, Doha, Qatar.

A formal Memorandum of Understanding was signed between the Centre of Excellence for Applied Research and Training (CERT, a division of the prestigious Higher Colleges of Technology, UAE) and Ramco Systems. CERT and Ramco will work together on multiple business initiatives, including the emerging market for IT-led business transformation in the Government Sector.

The APAC operations continued its success in winning HR and payroll orders from leading corporations. During the year, the regions' first Aviation order was secured and it went LIVE successfully at Jeju Air, Korea. Our engagement with a leading municipality in South Africa (SA) has expanded further and resulted in repeat and new business. During the year, the SA operations expanded into the corporate sector and secured key orders for Ramco Business Analytics.

GLOBAL CONSOLIDATED FINANCIAL STATEMENT UNDER AS- 21

The Global consolidated financial statement as prescribed by ICAI under Accounting Standard 21 together with the Auditor's Report thereon is enclosed.

Government of India, Ministry of Company Affairs, vide their letter No. 47/136/2007-CL-III dated 26th March, 2007, have granted their approval under Section 212 (8) of the Companies Act, 1956, exempting the Company from attaching 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, along with its accounts for the year ended 31st March, 2007.

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

The 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.

DIVESTMENT OF STAKE IN RAMCO INFOTECH SOLUTIONS LIMITED

The Secure Converged Networking division was spun off into Ramco Infotech Solutions Limited (RITS), with effect from 1st April, 2006, in accordance with the consent of the members obtained under the provisions of Section 293(1) (a) of the Companies Act, 1956, by means of Postal Ballot.

The Board of Directors of the Company in its meeting held on 12th April, 2007, had approved the divestment of 100% stake in the Company's wholly owned subsidiary - RITS which is engaged in the Secure Converged Networking business to TVS Interconnect Systems Limited (TVSICS), a wholly owned subsidiary of T V Sundaram Iyengar and Sons Limited. The Company had entered into a non binding Memorandum of Understanding with TVSICS. The closure of the transaction is subject to satisfactory due diligence, execution of definitive documents and other approvals and regulatory clearances, and the same is in progress.

The Board considers the divestment of the stake in RITS as a prudent measure enabling the Company to focus completely on its core business - developing next generation enterprise applications using its revolutionary Business Process Platform.

RESEARCH AND DEVELOPMENT

Ramco Systems has successfully delivered multiple Global Projects and Enterprise Solutions across diverse technology stacks using the Ramco BPP. Ramco BPP is a Scalable delivery platform for custom built applications and for implementing next generation global scale business solutions that provides change on demand to ensure that the information system changes in accordance with the business changes.

The R&D efforts have been primarily focused on initiatives to proactively enhance usability, productivity, performance and quality based on trends in the industry and user feedback.

Platform Enhancements

Support for alternate UI experiences like AJAX, FLEX, and ActiveX etc., form a common model. This allows for applications to be developed and deployed for different user communities starting from a novice user to a power user and providing appropriate interface and information needed for them to do their work effectively.

Mechanisms are being provided for supporting the asset based delivery model. This will allow for modeling the business process as per standard notations to depict the way business is conducted in an enterprise. It will also provide facilities for associating either available business services / build new services to service all the steps that happen in the business. It provides for ways to search, identify and use the existing services from an enterprise repository to handle new situations / processes.

Systems are being developed to enable conversion of the business logic written in certain languages specific to a particular vendor to other languages supported by other vendors to ensure better than 95% conversion efficiency.

We are enhancing the platform to ensure compliance of the runtime and the generated code with current and emerging standards like .NET 2.0, Oracle 10G, multi core processors, WS*. The R&D programs have been planned to address emerging areas like mobile computing, RFID, provide concurrent multi-language support and enable constraint based planning and 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.

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 etc. , and addressing all necessary Business, Regulatory, Payroll and HR related requirements has resulted in a repository of pre-built solutions that can address wider set of organizations in the listed segments.

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.

Research and Development activities are being carried out with the following objectives:-

1. To provide systems to support legacy applications transformation in the enterprise.
2. To enhance our integrated service environment to encompass various other functionality like rule modeling, governance, process simulation.
3. To provide governance frame work to support statutory governance needs like SOX, Basel II etc.
4. To add pre-built solution functionalities to cover more vertical segments.

5. To support for Mobile devices and to address emerging technology trends to keep in step with the market needs.
6. To continually enhance the platform processes towards achieving improved productivity during all stages of solution delivery like modeling logic for code generation, web services, standard support etc.
7. Built- in support for usage based billing and monitoring: Create integrated support in the frame work run-time components to collect usage statistics which would enable different alternatives for vending software services.

FIXED DEPOSITS

Your Company has not accepted any deposits from the public during the year.

RETIREMENT OF DIRECTORS

Shri S.S.Ramachandra Raja and Shri N.K.Shrikantan Raja, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS

M/s.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 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. 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, are annexed and forms part of this report.

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.

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 as at the end of the financial year and of the profit 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 31st March, 2007, on a going concern basis.

ACKNOWLEDGEMENT

Your Directors take this opportunity to thank all the Clients, Vendors, Investors, Government Authorities and Bankers for their continued support. Your Directors place on record their appreciation of the unstinted efforts of the Employees at all levels who have been responsible for the growth of your Company.

For and on Behalf of the Board

Place: Chennai
Date : 30th May, 2007

P.R. RAMASUBRAHMANEYA RAJHA
CHAIRMAN

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2007

In terms of Section 217(1)(e) of the Companies Act, 1956, and the disclosure of particulars in the report of the Board of Directors Rules, 1988, the following information is furnished for the year ended 31st March, 2007:

(A) Conservation of Energy	:	The operations of the Company are not energy intensive
(B) Technology Absorption	:	Particulars given in Form B
(C) Foreign Exchange Earnings and Outgo		
i) Activities Relating to Export	:	Export of the Computer Software to Middle East, Philippines, Thailand and 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 are being made in countries like South Africa, UAE, Australia and China.
iv) Total foreign exchange used (Rs. Lacs)	:	468
v) Total Foreign Exchange Earnings (Rs. Lacs)	:	4,658

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION.

SPECIAL AREAS IN WHICH THE COMPANY CARRIES OUT R&D:

Ramco BPP

The current version of Ramco BPP is :

- A Scalable delivery platform for custom built applications and for implementing next generation global scale business solutions that provides change on demand to ensure that the information system changes in step with the business change.
- Built on business process based approach that is radically different from the traditional approach.
- Supports Model based development and componentized solutions development to deliver Service Oriented Business applications.
- Geared for the emerging asset based delivery model that is standards compliant and support the business process platform strategy of an enterprise.

The platform has code generators that create the application using the various models created as part of the delivery process. It provides modeling capabilities to specify the applications at different levels of granularity starting from a business process level to specifications of a data access artifact. 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 for a change request.

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

1. To provide mechanisms for supporting asset based delivery model:
 - a. This will allow for modeling the business process as per standard notations to depict the way business is conducted in an enterprise.
 - b. Provide facilities for associating either available business services / build new services to service all the steps that happen in business.
 - c. Provide for ways to search, identify and use the existing services from an enterprise to handle new situations / processes.
2. To provide a mechanism by which the solution can be made available offline for interacting with the users and ensuring that the customer is aware of the final deliverables:
 - a. This will allow the end users to experience the solution and suggest the changes needed for his business need in the context of the application.
 - b. This will also ensure that the interaction with the customer is formalized and the leakage of information between the analyst and the development team is minimized.

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 etc., addressing all necessary Business, Regulatory, Payroll and HR related requirements. This has resulted in a repository of pre-built solutions that can address wider set of organizations in the listed segments.
4. Development of systems to convert the business logic written in certain languages specific to a particular vendor to other languages supported by other vendors to ensure better than 95% conversion efficiency.
5. Support for alternate UI experiences like AJAX, FLEX and ActiveX etc.

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 address ability immensely.
- Productivity increase due to the platform process streamlining leading to 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 provide systems to support legacy applications transformation in the enterprise.
2. To enhance our integrated services environment to encompass various other functionality like rule modeling, governance, process simulation.
3. To provide governance framework to support statutory governance needs like SOX, Basel II etc.
4. To add pre-built solution functionalities to cover more vertical segments.
5. Support for Mobile Devices and to address emerging technology trends to keep in step with the market needs.
6. To continually enhance the platform processes towards achieving improved productivity during all stages of solution delivery like modeling logic for code generation, web services standards support etc.
7. Built-in support for usage based billing and monitoring: Create integrated support in the framework run-time components to collect usage statistics which would enable different alternatives for vending software services.

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

Expenditure on R&D	(Rs. In lacs)
Capital (exclusive of capitalized value of Technology Platform and Product Software) (Refer Schedule 1 to R&D Accounts)	46.70
Recurring (Refer Schedule 5 to R&D Accounts)	2,247.24
Total	<u>2,293.94</u>
Total R&D expenditure as a percentage of total turnover	29.20%

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Ramco is committed to maintaining high standards of Corporate Governance and protecting customers and shareholders interests. In line with this philosophy, Ramco Systems Limited (RSL) endeavors to maintain transparency at all levels through adoption of best Corporate Governance practices. The following is a report on the status and progress on major aspects of corporate governance for the year ended 31st March, 2007.

BOARD OF DIRECTORS

The Directors of the Company possess highest personal and professional ethics, integrity and values and are committed to representing the long-term interests of the stakeholders. The basic responsibility of the Board is to provide effective governance over the Company's affairs exercising its reasonable business judgment on behalf of the Company. Shri P. R. Venketrama Raja, Vice Chairman, Managing Director & CEO, manages the day-to-day affairs of the Company assisted by top executives of the Company. The Company's business is conducted by its employees under the direction of the Vice Chairman, Managing Director & CEO and the overall supervision of the Board, to enhance the long term value of the Company for its stakeholders.

The Board has an optimum combination of Executive, Non Executive and Independent Directors, which ensures proper governance and management. The composition of the Company's Board of Directors is in conformity with the prescribed code of corporate governance by the Stock Exchanges. The Chairman is a Non Executive Promoter Director. As a part of good corporate governance practices, it is ensured that timely and relevant information are made available to the directors in order to contribute to the meetings and discussions effectively. The structure of the Board is as under:

Composition and Category of Directors:

S No.	Name of the Director	Category
1	Shri P.R. Ramasubrahmaneya Rajha	Non Executive Promoter Director
2	Shri P.R. Venketrama Raja	Executive Promoter 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 Board met 5 times during the year on 27th May, 27th July, 21st August, 30th October, 2006 and 30th January, 2007. Details of attendance of each Director at the Board Meetings held during the year and at the last Annual General Meeting of the Company, are as follows:

Attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM):

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

In terms of the provisions of the Clause 49 of the Listing Agreement with the Stock Exchanges, no director of the Company is a member in more than ten committees nor acts as a Chairman in more than five committees of Public Limited Companies, of which he is a director.

BOARD PROCEDURE

The Board plays a pivotal role in enhancing the best corporate governance culture in the Company and towards this, all relevant information are placed before the Board. The Board has a formal schedule of matters reserved for its consideration and decision. The detailed agenda is sent to each director in advance of the Board and Committee Meetings with the relevant information for the business to be transacted. The Board of Directors meets at regular intervals. Decisions are taken at the meetings after detailed discussions. Amongst 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

In accordance with the code of corporate governance and based on the requirements to focus on special areas, the Board has constituted several Committees to deal with specific matters and delegated powers for different functional areas.

AUDIT COMMITTEE

The Company has a qualified and Independent Audit Committee with all its members being Non Executive Directors, to oversee the accounting and financial governance of the Company. The Chairman of the Committee is an Independent Director.

a) Composition and 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, Shri V. Jagadisan and Shri S.S.Ramachandra Raja are the members of the Committee, with Shri M.M.Venkatachalam being the Chairman. The Company Secretary is the Secretary to the Committee. The Senior Management team of the Company, Statutory Auditor and the Internal Auditor are invited to attend the meetings of the Committee, as invitees.

The primary objective of the Committee is to monitor and provide effective supervision of the financial control and reporting system. The Audit Committee reviews its business at regular intervals and makes appropriate recommendations to the Board for its approval. The terms of reference of the Committee, which are in line with the requirements of the Clause 49 of the Listing Agreement and the provisions of Section 292A of the Companies Act, 1956, inter-alia comprise of the following:

- Oversight of the Company's financial reporting and disclosure of its financial information;
- Reviewing with the Management, the annual financial statements before submission to the Board for its approval;
- Reviewing of the adequacy of the internal control systems;
- Discussion with the Internal Auditors on significant findings and follow up thereon;
- Reviewing of the Capital Expenditure Plans and the status relating thereto;
- Monitoring the Company's Cost Control Measures;
- Reviewing of compliance with Accounting Standards.

b) Meetings and attendance

During the year the Committee met on five occasions viz., 26th May, 07th July, 18th July, 18th October, 2006 and 25th January, 2007. The attendance of the members at the meetings of the Audit Committee is as follows:

S No.	Name of Directors	Meetings Attended
1	Shri M.M. Venkatachalam	5
2	Shri S.S. Ramachandra Raja	2
3	Shri V. Jagadisan	5

REMUNERATION COMMITTEE

a) Composition and Brief description in terms of reference:

The Remuneration Committee of the Board comprises of the following Non Executive Directors:

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

The scope of the Committee inter-alia includes the following:

- determination of remuneration package of all the Directors of the Company;
- determination of the service contracts, notice period and severances fees.
- determination of the eligibility of the stock options, if any to the Directors and other modalities relating thereto.

The quorum for the meeting is presence of two members. The Company Secretary is the Secretary of the Committee. During the year ended 31st March, 2007, there was a meeting of Remuneration Committee held on 21st August, 2006, wherein Shri M.M. Venkatachalam and Shri V.Jagadisan were present.

b) Remuneration Policy

The remuneration policy of the Company has been structured to match the market trends of the industry and to attract the best talents of the Sector. The scales of remuneration are determined based on the levels of responsibility and scales prevailing in the industry. The Board of Directors of the Company had authorised the Remuneration Committee to fix the remuneration package of the Executive Director. Accordingly, the remuneration package of the Executive Director including its break up into fixed component and performance linked incentive along with the performance criteria are determined by the Remuneration Committee.

c) Remuneration to the Directors

No remuneration is payable to the Non Executive Directors except sitting fees. No sitting fee is paid to the Executive Director for attending the meetings of the Board or the Committees thereof. The sitting fees payable to the directors have been approved by the members of the Company in the Annual General Meeting held on 9th December, 2005. Further, the members of the Company have authorised the Board of Directors to vary the amount of sitting fees payable to the Directors for attending the Meetings of the Board of Directors and any of the Committees thereof within such maximum permissible limit as may be prescribed under the Companies Act, 1956, Rules made and Notifications issued thereunder from time to time. As at present, the sitting fees payable to the each of the directors per meeting is as follows:

	(Amount in Rs.)
Board	5,000/-
Audit Committee	5,000/-
Shareholders Committee	2,500/-

The details of remuneration paid to Shri P.R. Venketrama Raja, Vice Chairman, Managing Director & CEO during the year ended 31st March, 2007, have been provided under Note No.6 to the Notes on Accounts.

No stock options were granted to the Directors of the Company and there are no convertible instruments issued by the Company. The details of the Shares held by the Directors of the Company as at 31st March, 2007, are as follows:

Name of the Director	No. of Shares Held	Percentage to Capital
Shri P.R. Ramasubrahmaneya Rajha	352344	2.29
Shri P.R. Venketrama Raja	646264	4.21
Shri S.S. Ramachandra Raja	30158	0.19
Shri N.K. Shrikantan Raja	6702	0.04
Shri M.M. Venkatachalam	Nil	Nil
Shri V. Jagadisan	Nil	Nil

SHAREHOLDERS COMMITTEE

a) Composition and brief description in terms of reference:

The Shareholders Committee of the Board comprises of the following directors:

Shri P.R. Ramasubrahmaneya Rajha	–	Chairman
Shri P.R. Venketrama Raja	–	Member
Shri N.K. Shrikantan Raja	–	Member

The Company attaches highest importance to the Investor relations. The Board of Directors of the Company have constituted the Shareholders Committee of the Board to focus on shareholders grievances and strengthening of the 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, non receipt of the Refund Orders, non receipt of the Share Certificates and such other issues relating to investor relations.

b) Meetings and attendance:

During the year the Committee met 6 times, viz., 27th May, 07th July, 30th October, 04th December, 2006, 30th January and 23rd March, 2007. The attendance of members at the Committee meetings is as follows:

S No.	Names of Director	Meetings Attended
1	Shri P.R. Ramasubrahmaneya Rajha	6
2	Shri P.R. Venketrama Raja	5
3	Shri N.K. Shrikantan Raja	4

c) Status of the Shareholders' Complaints:

The Shareholders Committee and the Board reviews the status of the Shareholders Grievances received by the Company together with the status of their redressal at every meeting.

During the year the Committee received 8 complaints from the shareholders, the details of which are given below:

S No.	Nature of Complaints	No of Complaints	
		Received	Redressed
1	Complaints relating to the Rights Issue of the Company	4	4
2	Non Receipt of Share Certificates	1	1
3	Non Receipt of the demat credit	1	1
4	Others	2	2
Total		8	8

There were no complaints pending at the end of the year.

d) Name and designation of Compliance Officer:

The Board of Directors of the Company have appointed Shri Subramanian Narayan, Company Secretary, as the Compliance Officer as per Clause 47 (a) and (f) of the Listing Agreement entered with the Stock Exchanges.

COMPENSATION COMMITTEE

The Board of Directors of the Company has in Compliance with the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, constituted the Compensation Committee with three non executive directors as its members. Shri M.M. Venkatachalam (as Chairman), Shri P.R. Ramasubrahmaneya Rajha and Shri V. Jagadisan are the members of the Committee.

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 options under various schemes of the Company.

During the year the Committee met two times viz., 1st September and 4th October, 2006. The attendance of directors at the committee meetings is as follows:

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

(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 the RSL Employee Trust. The RSL Trust allotted equity shares to the employees at par (i.e., Rs. 10/- each) as per their grade and number of years of services under an agreement of sale, under a Scheme framed and implemented in this regard. As on date, 84,125 number of shares remained with the trust and these represent the shares, which have not been vested due to non-fulfillment of conditions of the scheme.

(B) Employee Stock Option Plan 2000 (ESOP 2000)
(i) Shareholders Approval for ESOP 2000:

At the Extra-Ordinary General Meeting held on 28th August, 2000, the Shareholders had approved the issue of 160,000 stock options convertible into 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, framed a detailed scheme.

Further, at the Extra-Ordinary General Meeting held on 29th September, 2006, the shareholders have approved the following amendments to ESOP 2000 scheme, by which;

- the options other than those vested in the first lot will vest on a quarterly basis with the options under the first lot vesting at the end of one year; and
- the exercise period has been increased to 10 years from the date of the vesting of the final lot.

(ii) Details of the options granted:

At the meeting of the Compensation Committee held on 12th April, 2001, the Company had granted 126,150 stock options to the employees under the Employee Stock Option Plan 2000 at a price of Rs.254/- per stock option. After the expiry of the vesting period, upon the exercise of stock options, 11,750 equity shares were converted into equity shares during the financial year 2003-04.

At the meeting of the Compensation Committee held on 14th December, 2003, 67,700 fresh Options were granted to the eligible employees of the Company with a vesting period of three years, at a price of Rs.254/- per stock option. This price was adjusted to Rs.227/- per stock option for the Rights 2003 exercise and further adjusted to Rs.223/- per stock option for the Rights 2005 exercise as per SEBI guidelines. As at the expiry of the final vesting period, 19,950 stock options have been converted into equity shares, being 18,900 stock options converted at the rate of Rs.227/- per stock option and 1,050 stock options converted at the rate of Rs.223/- per option. In terms of the amended scheme, the options holders can exercise the options till 31st December, 2016.

At the meeting of the Compensation Committee held on 4th October, 2006, 87,500 further fresh options were granted to the eligible employees of the Company at a Price of Rs. 177/- per share as per SEBI guidelines with a vesting period of 3 years and an exercise period of 10 years from the date of the vesting of the final lot i.e., till 3rd October, 2019. The options other than those to be vested in the first year shall vest on a quarterly basis. The options under the first lot shall vest at the end of the one year from the date of grant. None of the options are vested as at the date of the report.

(C) Employee Stock Option Scheme 2003 (ESOS 2003)

(i) Shareholders Approval for ESOS 2003

At the Extra-ordinary General Meeting held on 9th April, 2003 the Shareholders had approved the issue of 500,000 stock options convertible into 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.

Further, at the Extra-Ordinary General Meeting held on 29th September, 2006, the shareholders have approved the following amendments to ESOS 2003 scheme, by which;

- (a) the options other than those vested in the first lot will vest on a quarterly basis with the options under the first lot vesting at the end of one year; and
- (b) The exercise period has been increased to 10 years from the date of the vesting of the final lot.

(ii) Details of the options granted:

At the meeting of the Compensation Committee held on 14th December, 2003, 464,500 stock options were granted to the eligible employees of the Company with a vesting period of 3 years at an adjusted price of Rs.284/- per stock option. The price was further adjusted to Rs.266/- per stock option for the Rights 2005 exercise as per SEBI guidelines. As at the expiry of the final vesting period, the total options which have been converted into equity shares are 37,975 equity shares of Rs.10/- each, being 36,350 stock options converted at the rate of Rs.284/- per stock option and 1,625 stock option converted at the rate of Rs.266/- per stock option. In terms of the amended scheme, the option holders can exercise the options till 31st December, 2016.

At the meeting of the Compensation Committee held on 1st December, 2005, 9,200 stock options were granted at an exercise price of Rs.266/- per stock option as per SEBI guidelines with a vesting period of 3 years. As at March, 31, 2007, 2,960 stock options are vested which are yet to be exercised. In terms of the amended scheme, the option holders can exercise the options till 30th November, 2018.

At the meeting of the Compensation Committee held on 4th October, 2006, 2,19,800 further fresh options were granted to the eligible employees of the Company at a Price of Rs. 177/- per share as per SEBI guidelines with a vesting period of 3 years and an exercise period of 10 years from the date of the vesting of the final lot i.e., till 3rd October, 2019. The Options other than those vested in the first lot shall vest on a quarterly basis. The options under the first lot shall vest at the end of the one year from the date of grant. None of the options are vested as at the date of the report.

(D) Employee Stock Option Scheme 2004 (ESOS 2004)

(i) Shareholders Approval for ESOS 2004:

The Shareholders of the Company in the Extra-Ordinary General Meeting held on 24th December, 2004, have approved the issue of 9,00,000 stock options, convertible into equity shares of Rs.10/- each, under the scheme, to Key Managerial Personnel including, Independent Directors, President, CEO and other Senior Key Management Personnel of the Company as well as of the Subsidiaries.

Further, at the Extra-Ordinary General Meeting held on 29th September, 2006, the shareholders have approved the following amendments to ESOS 2004 scheme:

- (a) The number of shares underlying the aggregate options that may be granted was increased to 12,00,000 equity shares of Rs.10/- each from 9,00,000 equity shares of Rs.10/- each.
- (b) Broad basing of the coverage of the scheme to the employees of the Company and its Subsidiaries at all levels as provided in other schemes instead of the scheme being applicable only to the senior level employees.

(ii) Details of Options granted:

At the meeting of the Compensation Committee held on 1st December 2005, 100,000 stock options were granted at an exercise price of Rs.315/- per option (adjusted market price as at 30th November, 2005). The options granted would vest over a period of four years at quarterly rests (except for the options vesting during the first year, which would vest at the end of one year from the date of grant).

At the meeting of the Compensation Committee held on 4th October 2006, 747,350 fresh stock options were granted to the eligible employees of the Company at a Price of Rs. 177/- per share. The vesting period and the exercise period are the same as detailed above and the option holders can exercise the options till 3rd October, 2020. None of the options are vested as at the date of the report.

(E) Employee Stock Purchase Scheme 2004 (ESPS 2004):

The Shareholders of the Company at their extra-ordinary general meeting held on 24th December, 2004 have approved the issue of 100,000 equity shares of Rs. 10/- each under the scheme to Senior Key Managerial Personnel including Independent Directors, President, CEO and other Senior Key Management Personnel of the Company as well as of the Subsidiaries. As at the date of this report, no equity shares have so far been allotted, under this Scheme.

(F) Amendments Proposed to the Stock Option Schemes of the Company:

The present Stock Option Schemes, provide that, in case of severance of employment as a part of the reconstitution/ amalgamation/sell off or otherwise all options granted to the employee would vest immediately and the employee would be required to exercise the options within a period of 3 months from the date of severance. In the event, the options are not so exercised within such period, the unexercised options would lapse.

Consequent to the approval of the Board to sell the entire stake in Ramco Infotech Solutions Limited (RITS) to M/s. TVS Interconnect Systems Limited (TVSICS), RITS would cease to be a subsidiary of the Company effective the date of sale of investment in RITS and accordingly, the employees of RITS would be required to exercise the options within a period of 3 months subject to the provisions of the SEBI Guidelines. Keeping in view the services rendered by the employees of RITS in the past and keeping in view the employee welfare measure, it is proposed to increase the said period from 3 months to 18 months. Further, the stock option schemes being employee benefit oriented and keeping in view similar situations that may arise in future, it is proposed to amend the relevant clauses in all the stock options schemes to provide for the said exercise period as 18 months instead of 3 months. The revised schemes would also be made applicable to the employees to whom the options have been already granted. These amendments to the stock option schemes of the company do not in any manner adversely affect the interests of the employees. Necessary resolutions seeking the approval of the members for amending the relevant clauses in the stock option schemes of the Company are being placed before the members for their approval at the forthcoming Annual General Meeting.

(G) The details of the stock options granted under the above said schemes (B to D) as at 31st March, 2007, are as follows:

S No.	Particulars	ESOP 2000	ESOS 2003	ESOS 2004
1	Total Options	160,000	500,000	1200,000
2	Options Granted (Refer Note 1)	110,750	355,825	770,550
3	Exercise Price	Refer (B) above	Refer (C) above	Refer (D) above
4	Options Vested	44,800	181,265	37,500
5	Options Lapsed	2,350	-	-
6	Unvested Options	63,600	176,040	733,050
7	Employee wise details of Options granted			
	(i) Senior Managerial Personnel	Nil	Nil	100,000
	(ii) Any other employee, who receives a grant in one year of option amounting to 5% or more of option granted during that year	Nil	Nil	60,000
	(iii) Identified employees who were granted option, during one year equal to or exceeding 1% of the Issued Capital (Excluding Outstanding Warrants and Conversions) of the Company at the time of grant	Nil	Nil	Nil

Notes: 1. Stock Options granted are net of cancellations due to employee separations.
2. No Stock options were exercised during the year ended 31st March, 2007, and hence no allotment of shares arose.

(H) Merchant Bankers to ESOP 2000, ESOS 2003, ESOS 2004 and ESPS 2004 Schemes

In accordance with the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, the Company has appointed Indbank Merchant Banking Services Limited, (I Floor, Khiviraj Complex I, No.480, Anna Salai, Nandanam, Chennai 600035 : Telephone No: 044 - 24313094 - 97; Fax No: 044 - 24313093) as the Merchant Bankers for the implementation of the said Schemes.

Ramco Systems Limited, INDIA

GENERAL BODY MEETINGS

The following are the details of Date, Location and Time of the General Meetings held during last three financial years. There were no special resolutions passed in the last three Annual General Meetings of the Company.

Date	Meeting	Location	Time
28th July, 2004	A G M	Shri PACR Centenary Community Hall Sudharsan Gardens, PAC Ramasamy Raja Salai, Rajapalayam – 626108	11.30 A.M
24th December, 2004	E G M	47, PSK Nagar, Rajapalayam – 626 108	10.00 A.M
4th April, 2005	E G M	-do-	10.00 A.M
22nd July, 2005	E G M	-do-	10.00 A.M
9th December, 2005	A G M	Shri PACR Centenary Community Hall, Sudharsan Gardens, PAC Ramasamy Raja Salai, Rajapalayam – 626108	12.30 P.M.
27th July, 2006	A G M	-do-	12.00 Noon
29th September, 2006	E G M	47, PSK Nagar, Rajapalayam – 626 108	02.30 P.M.

POSTAL BALLOT

No Special Resolution was put through postal ballot during the financial year 2006-07. However, an ordinary resolution under the provisions of Section 293(1)(a) of the Companies Act, 1956, seeking the consent of the members to transfer the Company's Secure Converged Networking Business by way of sale or otherwise, to a wholly owned subsidiary of the Company, M/s. Ramco Infotech Solutions Limited, was passed by Postal Ballot. The postal ballot was conducted in accordance with the provisions of the Section 192A of the Companies Act, 1956, read with Companies (Passing of Resolution by Postal Ballot) Rules, 2001. Shri K. Srinivasan, partner, M/s. M.S. Jagannathan & N. Krishnaswami, Chartered Accountants, were appointed by the Board of Directors of the Company as the scrutinizer to the Postal Ballot and the same was conducted by him. The results were announced on 27th July, 2006. The following are the details of the voting pattern of the Postal Ballot:

Particulars	Votes cast in favour of the resolution	Votes cast against the resolution	Total
Total Number of Shares for which the postal ballots were received	10,149,981	1,675	10,151,656
Percentage	99.98%	0.02%	100%

Accordingly, the above resolution was declared as passed with requisite majority. As at the date of the report, there is no Special Resolution proposed to be passed through the Postal Ballot.

CODE OF CONDUCT

The Board of Directors of the Company has laid down the following Code of Conduct for all the Board Members and the Senior Management of the Company and the same has been posted on the website of the Company; www.ramco.com, in the compliance with the provisions of Listing Agreement with the Stock Exchanges.

"This Code of Conduct shall apply to the Directors and Senior Management personnel of Ramco Systems Limited, who shall affirm compliance with this Code on an annual basis as at the end of each financial year.

CODE OF CONDUCT FOR DIRECTORS

A Director being a Trustee of the Shareholders shall –

- Act always in the best interest of the shareholders.
- Maintain a high standard of probity in his relations with the Company, its subsidiaries, employees, contractors, suppliers and customers.
- Maintain confidentiality of the Company on matters that come to his knowledge as Director, both during his Directorship and thereafter as well.
- Always conduct himself in a manner that befits his position.
- Assist the Company to observe the provisions of the Company law and other laws applicable to the Company, both in letter and in its spirits.
- Not use this position to any manner to his personal advantage or that of his family or friends.

CODE OF CONDUCT FOR SENIOR MANAGEMENT PERSONNEL

A Senior Manager person is one who occupies the rank of General Manager or above and notified from time to time as a Senior Management person.

A Senior Management personnel shall –

- i. By his personal behavior and conduct, set an example to his fellow employees.
- ii. Conduct himself in a manner that upholds his integrity, rectitude and fair name of the Company and give no occasion to the Management to explain his actions or behaviors.
- iii. Refrain from using his position for personal benefit from the employees, contractors, suppliers and customers of the Company.
- iv. Maintain the confidentiality of the Company's information that has come to his notice, except where disclosure is authorized in writing by the Management.
- v. Observe all prescribed safety and environmental related norms.
- vi. Not divulge to any member of the press or media any matter concerning the Company unless authorized by the Management.
- vii. Not engage himself in any business relationship or commercial activity with or without remuneration, without the prior written permission of the Management".

All the Board Members and Senior Management Personnel of the Company have affirmed compliance with the applicable code of conduct for the year ended 31st March, 2007. The declaration from Shri P R Venketrama Raja, Vice Chairman, Managing Director & CEO, regarding the affirmation of the compliance for the year ended 31st March, 2007, is enclosed and forms part of this report.

The Company has also framed a code of conduct for prevention of Insider Trading in compliance with the SEBI (Prohibition of Insider Trading) Regulations, 1992. This code is applicable to all the Directors / Officers and Designated Employees. The Code regulates dealing in shares by the persons having access to the unpublished price sensitive information.

DISCLOSURES

There were no related party transactions i.e., transactions of the Company of material nature, entered 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. The details of the related party transactions are disclosed under the notes on accounts, as required under the Accounting Standard-18 issued by the Institute of Chartered Accountants of India.

The Company has complied with the requirements of the SEBI and the Stock Exchanges on the matters relating to the capital markets as applicable from time to time. There has been no instance of non-compliance by the Company or penalty or strictures imposed on the Company by the stock exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

The Company has complied with the all the mandatory requirements of the code of Corporate Governance prescribed by the Stock Exchanges. As regards the non mandatory requirement, the Company has a Remuneration Committee as detailed in the earlier paragraphs.

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).

Press briefings are held after important occasions viz., announcement of quarterly results, new tie up etc. The press releases issued from time to time are informed to the respective Stock Exchanges where the equity shares of the Company are listed and the same is also hosted on the Company's website for the information of the investors.

The Company's official website; www.ramco.com has in it a separate page for investors relations, wherein the quarterly financial results, shareholding patterns, important announcements to the Stock Exchanges, are hosted for the knowledge of the investors. 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 results and shareholding patterns on the Electronic Data Information Filing and Retrieval (EDIFAR) website (www.sebiedifar.nic.in).

Shareholders are being provided with timely information on all Company related matters. For effective and better communication to the Shareholders, the Company has appointed M/s.Ogilvy & Mather as PR Agency.

As a further effort towards effective Investor Grievance redressal measure and in compliance with the provisions of Clause 47(f) of the Listing Agreement with the Stock Exchanges, the Company has designated an exclusive e-mail id: investorcomplaints@rsi.ramco.com to enable the investors to lodge their complaints. The investors are requested to kindly make use of the same.

As required under sub clause IV(F) of Clause 49 of the Listing Agreement, the Management Discussion and Analysis Report detailing the overview of the Industry, Company's business and its financials etc., is provided separately as a part of the Directors' Report.

GENERAL SHAREHOLDER INFORMATION

Details of the forthcoming Tenth Annual General Meeting:

1.	Date	27th July, 2007
2.	Day	Friday
3.	Time	12.00 Noon
4.	Venue	Shri P A C Ramasamy Raja Centenary Community Hall, Sudharsan Gardens, PAC Ramasamy Raja Salai, Rajapalayam – 626 108.

Financial Calendar for 2007-08 (tentative)

The Financial year of the Company is April- March of every year and the tentative details of the financial calendar are as under:

Quarter Results for June, 2007	Between 15th July & 31st July, 2007
Quarter Results for September, 2007	Between 15th October & 31st October, 2007
Quarter Results for December, 2007	Between 15th January & 31st January, 2008
Financial Results for the year ending 31st March, 2008	Between 15th May & 31st May, 2008
Eleventh Annual General Meeting of the Company for the year ending 31st March, 2008	July / August, 2008
Dividend Payment Date	Nil

Book Closure

In order to comply with the provisions of Clause 16 of the Listing Agreement, the Register of Members of the Company and the Share Transfer Books would remain closed on Friday, the 27th July, 2007.

Listing on Stock Exchanges

The equity shares of the Company are listed on the following Stock Exchanges with the stock codes as indicated against each stock exchange:

Name of the Stock Exchange	Address	Stock Code
Madras Stock Exchange Limited	No.11, Second Line Beach, Chennai – 600 001	RSST
Bombay Stock Exchange Limited	Phiroze Jhejeebhoy Towers, Dalal Street, Mumbai – 400 001	532370
The National Stock Exchange of India Limited	C1-Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051	RAMCOSYS

The listing fees for the financial year 2007-08 have been paid to the Stock Exchanges, where the Company's Shares are listed.

Depositories

The Equity Shares of the Company are admitted in the following depositories of the country under the ISIN INE 246B 01019:

Name of the Depository	Address
National Securities Depository Limited	4th Floor, Kamala Mills Compound, Senapathi Bapat Marg, Lower Parel, Mumbai – 400 013
Central Depository Services (India) Limited	28th Floor, Phiroze Jhejeebhoy Towers, Dalal Street, Mumbai 400 001

Credit Ratings

The Company's Commercial Paper Programme and the Short Term Non Convertible Debenture Programme are rated by ICRA Limited as per the details given below:

Programme	Credit Rating	Rating Degree	Amount
Commercial Paper Programme	A1+	Highest –Credit –quality	Rs. 5 Crores
Short Term Non Convertible Debentures	A1+(SO)	Highest –Credit –quality	Rs.75 Crores

Details of the Share price movements

S.No.	Month	NSE Volume	BSE Volume	NSE Prices (In Rs.)			BSE Prices (In Rs.)		
				High	Low	Close	High	Low	Close
1	Apr-06	6,17,315	3,52,960	259.90	217.15	230.00	260.00	215.00	231.55
2	May-06	2,73,703	1,61,362	254.00	171.00	205.35	255.00	176.00	204.25
3	Jun-06	2,07,518	1,65,740	207.50	140.05	186.50	207.00	142.00	188.15
4	Jul-06	1,50,087	92,151	191.00	157.00	165.80	192.00	157.00	165.15
5	Aug-06	12,39,056	7,75,507	233.00	163.85	193.85	232.80	162.90	191.55
6	Sep-06	91,124	1,91,419	200.00	175.00	177.10	199.90	172.80	176.30
7	Oct-06	97,017	1,08,861	196.95	170.00	184.30	197.00	168.50	183.15
8	Nov-06	1,63,031	2,38,381	210.85	165.00	197.25	211.00	165.00	198.20
9	Dec-06	4,11,648	3,35,507	223.30	172.00	223.30	223.10	171.00	223.10
10	Jan-07	3,63,771	3,78,636	238.40	185.00	190.05	232.95	187.00	188.95
11	Feb-07	15,584	1,89,710	195.50	138.00	159.90	194.70	149.00	159.10
12	Mar-07	2,92,023	3,05,204	162.75	124.70	127.75	162.00	125.00	127.70
	Total	39,21,877	32,95,498						

Relative Performance of Ramco Systems Share Price with NSE NIFTY


Ramco Systems Limited, INDIA

Registrar and Share Transfer Agent

M/s. Cameo Corporate Services Limited, Chennai, are the Registrar and Share Transfer Agents (RTA) for handling the physical and electronic registry work. The shareholders are requested to address their share related requests / queries to the RTA at the following address.

Messrs. Cameo Corporate Services Limited,
Unit : Ramco Systems Limited
Subramanian Building, No.1, Club House Road, Mount Road, Chennai – 600 002,
Tel: 044 - 28460390 Fax: 044 - 28460129

Share Transfer System

The requests for physical share Transfers, Transmissions, Transpositions etc., are received by the Company or by the Registrar's and Share Transfer Agents. In respect of the Company's Shares, which are traded in the dematerialisation form, the transfers are processed and approved in electronic form by NSDL/CDSL through their Depository Participants.

The physical Shares Transfers, Transmissions etc., are processed based on number of requests received. 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 share transfers are pending for more than the period stipulated in the listing agreement. Shares requested for dematerialisation are confirmed within 10 days.

To ensure swift processing of the Shares Transfers, Transmissions, Transposition etc., the Board of Directors have delegated powers to approve the process to the Shareholder Committee. During the year, the Shareholders Committee has met 6 times and approved the share transfers of 2,294 equity shares and transmissions of 7,129 equity shares. There is no specific complaint outstanding on the subject till date.

Shareholding Pattern and the Distribution of Shareholding as at 31st March, 2007:

Description	Shares Held	% to Capital	Graphical Representation of the Shareholding Pattern
Promoters			
- Core promoters	86,00,187	56.00	
- Others	10,09,465	6.58	
Sub Total	96,09,652	62.58	
Institutional Investors			
Mutual Fund & UTI	303	0.00	
Financial Institutions	50	0.00	
Insurance Companies	3,51,493	2.29	
Banks	26,250	0.17	
FIs	7,88,314	5.13	
Sub Total	11,66,410	7.59	
Others			
NRIs/OCBs/Foreign Nationals	63,003	0.41	
Bodies Corporate	9,06,738	5.91	
Indian Public	36,10,683	23.51	
Sub Total	45,80,424	29.83	
Grand Total	1,53,56,486	100.00	

The Distribution of the Shareholding of the Company as at 31st March, 2007, is as follows:

Share holding Rs.(Nominal Value)	Share Holders		Share Amount	
	Number	% to total	Rs.	% to total
Upto 5000	9,110	89.11	96,67,160	6.30
5001 -10000	505	4.95	38,73,210	2.52
10001-20000	277	2.71	40,39,950	2.63
20001-30000	95	0.93	23,38,540	1.52
30001-40000	58	0.57	20,42,510	1.33
40001-50000	31	0.30	14,09,230	0.92
50001-100000	73	0.71	53,12,190	3.46
100001 and above	74	0.72	12,48,82,070	81.32
Total	10,223	100.00	15,35,64,860	100.00

Dematerialisation of Shares and Liquidity

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. The custodial charges for the year 2007-08 have been paid to NSDL and CDSL as per the Listing Agreement. As at 31st March 2007, 1,43,82,798 equity shares representing 93.66% of the Company's total number of shares have been dematerialised.

In view of the, SEBI's direction, that the settlement of trades in the listed securities should take place only in the demat mode and the benefits embedded in holding of the securities in demat form, the shareholders holding the shares in physical forms are requested to demat their shares at the earliest.

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

Plant Location

R&D Centre : No.64, Sardar Patel Road, Taramani, Chennai -600 113

Address for Correspondence & Shareholders queries : The Company Secretary
No:64 Sardar Patel Road, Taramani, Chennai-600 113
Phone: 044-22355558 Fax : 044-22355078

(or)

M/s. Cameo Corporate Services Limited
Unit: Ramco Systems Limited
Subramanian Building, No.1, Club House Road,
Chennai: 600 002,
Phone:044-28460390: Fax:044-28460129.

Email id for registering Investor Complaints:

As required under sub clause 47(f) of the Listing Agreement, a separate email id; investorcomplaints@rsi.ramco.com, has been created by the Company for the purpose of registering the complaints by the investors. Shri Subramanian Narayan, Company Secretary, has been appointed as the Compliance Officer of the Company for redressal of investor grievances. The Company has also displayed the email id on the website; www.ramco.com.

Other Shareholders Information

Secretarial Audit

A secretarial audit is done every quarter by the practising Company Secretary 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.

Compliance Certificate

Compliance Certificate dated 30th May, 2007, from our Statutory Auditors, M/s. CNGSN & Associates is given at the end of this Corporate Governance Report.

Declaration from the Vice Chairman, Managing Director & CEO

(Under clause 49(D)(ii) of the Listing Agreement)

To

The Members of Ramco Systems Limited

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Personnel have affirmed compliance with the Company's Code of Conduct for the year ended 31st March, 2007.

For Ramco Systems Limited

Place : Chennai
Date : 30th May, 2007

P.R. VENKETRAMA RAJA
VICE CHAIRMAN, MANAGING DIRECTOR & CEO

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 31st March, 2007, 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 statements 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 : 30th May, 2007

C.N. GANGADARAN
Partner
Membership No. 011205

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

This year the Company crossed several milestones and commenced multiple initiatives that is transforming the Company into a global provider of next generation business applications. These applications are composed and delivered using Ramco's revolutionary business process approach – The Ramco Business Process Delivery System (BPDS).

During the year, the Company witnessed excellent traction in its aviation business and the Company expanded its global aviation footprint. For the first time, Ramco is delivering its Aviation suite as an ASP offering that will be accessed through Sabre's eMergo ASP operation.

The Aviation Solutions Group released the 4.6 version containing the best practices integrated across the suite for all Fixed-Wing, MRO's and Rotor Craft segments. This latest release includes all Aviation M&E, MRO and Aviation ERP business practices. Additionally, the Aviation Solutions Group launched the complementary solutions on RFID, voice recognition and intelligent form interface technologies.

In India, the enterprise business reported brisk business and won some marquee customers such as DLF and Field Fresh. During the year, we launched Ramco Enterprise Series – Basic to specifically address requirements of SMB's across multiple verticals. A new version of Ramco Business Analytics was also launched during the year.

We participated in a 4 city launch of Intel's 64bit Dual Core processor. Ramco is the first ISV to showcase its solution on the new platform. We also successfully tested our solutions on the Itanium range of servers that are well positioned to serve mission-critical applications such as ERP, CRM and business intelligence.

The Company is globally repositioning itself from being a mid-sized ERP vendor to a global business applications provider backed by a powerful and proven technology platform (Ramco BPP). This transformation will place Ramco in a position of strength to address a wider and growing market.

Software as a service is an emerging market and Ramco has taken the lead to leverage on this new delivery model. The Company has launched Ramco ERP OnDemand – A comprehensive ERP suite that is hosted by Ramco and offered as a service on a monthly subscription model.

The year also witnessed Ramco transform itself into a focused business application provider. The Company spun off its Secure Converged Networking business into one of its wholly owned subsidiary, Ramco Infotech Solutions Limited (RITS) and has recently initiated divestment of 100% of its stake in RITS to the TVS group.

This multi-faceted transformation of Ramco is aptly reflected in its new brand identity – The Ramco Flexi. Launched in February, during the Gartner BPM conference in San Diego, USA, the identity is a visually abstract rendition of the core thought 'transformation.' While the shape bears a semblance to the symbol of infinity, it appears in a highly fluid and elastic state. This state of flux speaks of a brand where flexibility and the adaptability to change are highly valued. The brand identity refresh was facilitated by our global communications partner – Ogilvy & Mather (O&M).

With close to 140 projects under various stages of implementation, the stage is now set for Ramco to effectively leverage its transformation and scale greater heights.

Opportunities

The Company is rightly positioned to leverage on its technology prowess. Its foresight in investing on a business process platform that is model-based, componentized and service oriented is helping the Company to leverage the emerging market opportunities presented by the large scale adoption of business services on a Service Oriented Architecture (SOA).

Some of the potential areas we are focusing on is in providing composite applications to Manufacturing, Aviation, Banking, Insurance, eGovernance and Logistics.

Ramco offers Master Data Management and Legacy transformation services to companies that embark on a Business Process Platform strategy to address their present and future application requirements.

Partnerships & Alliances

During the year, the Company entered into a few alliances with international market leaders to target specific business opportunities. Significant among them are :

- a. Partnership with Relativity technologies for Legacy modernization initiatives - This partnership helps us complement our service offerings. The technology provided by Relativity helps us in discovering the functionality in the legacy applications and this can be used by us for supporting the transformation of these legacy systems into modern technologies in a phased manner using Ramco BPP.

Ramco Systems Limited, INDIA

- b. Enrolled RES (Ramco Enterprise Series) and Ramco HRMS (Human Resource Management Solution) in Oracle's Application Specific Full Usage Distribution Agreement (ASFUDA). This is expected to help us penetrate the Indian market faster.
- c. A Memorandum of Understanding between the Centre of Excellence for Applied Research and Training (CERT, a division of the prestigious Higher Colleges of Technology, UAE) and Ramco Systems to work together on multiple business initiatives, including the emerging market for IT-led business transformation in the Government sector.

Quality & Processes

At Ramco, Quality is a continuous journey with the objective of process standardization and perfection. The Company is ISO 9001 & ISO 27001 certified and has been successfully assessed at CMMI Level 5 – a rare distinction for a software product Company.

During the year, Ramco embarked on several process improvement initiatives, the most notable being RISE – Ramco's Initiative for Six Sigma Empowerment.

Several internal business process re-engineering and improvement programs are underway that are transforming Ramco to stay competitive, compete and succeed.

People Initiatives

Our employees are our most vital asset and Ramco takes every care to nurture its global talent pool and provide ample opportunities to demonstrate their talent, contribute positively and grow with the organization.

We are in the knowledge-led business and 'Training' is key to sustain the competitive edge and drive innovation. Ramco is investing in augmenting the training team, introducing innovative training programs and integrating training into the regular work cycle.

With its employee friendly culture that fosters a spirit of healthy competition and team work, Ramco has been successful in attracting and retaining senior professionals with strong and proven expertise in their chosen fields such as Marketing, Training, Sales and Consulting to name a few.

The Company has several platforms to recognize individual brilliance and successful team efforts. These are awarded on a quarterly basis under the aegis of "Pride@Ramco". Some of the award categories are Star of the team, Team of the Quarter, Employee of the Quarter and Outstanding Employee of the year.

The Company has completely revamped its compensation structure and brought in a performance linked variable compensation. This has brought in a greater sense of ownership, commitment and provides the Company, flexibility to differentially reward the top performers.

To tap the hidden talent and potential in employees, Ramco has implemented a Developmental Appraisal System that helps employees to realize their true potential, add more value and grow on the fast track.

The Company conducts a series of health programs to help employees maintain good health. Medical awareness programs and Yoga workshops are conducted regularly to help employees de-stress and lead a healthy and balanced life.

The 'Letter to shareholders' and 'Corporate Theme' provided in this report may 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. 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 31st March, 2007, 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 account 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 account;
 - (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 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 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 31st March, 2007;
 - (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 : 30th May, 2007

C.N. GANGADARAN
Partner
Membership Number: 011205

ANNEXURE TO THE AUDITOR'S REPORT

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 substantial part of the fixed assets 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.
- (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 had transactions with two companies mentioned in Section 301 register. The total amount of loans taken during the year was Rs.375,000,000/- and the year end balance was Rs.200,000,000/-. Total amount of loans given during the year was Rs.32,000,000/- and the year end balance is Rs.2,000,000/-.
- (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 control 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 such 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 and protection fund, employee's state insurance, income tax, wealth tax, sales tax, service tax, customs duty, excise duty, cess and other material statutory dues as 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 31st March, 2007 for a period of more than six months from the date they became payable.
- (c) There are no disputed taxes.
- (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 and 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) The Company has given a corporate guarantee amounting to Rs.13 crores to its wholly owned subsidiary viz, Ramco Infotech Solutions Ltd., India, during the year, and the terms and conditions where of are not prejudicial to the interests 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 explanations 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) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the Company has issued 25 number of unsecured debentures of Rs.1 crore each.
- (xx) The Company has not raised any money by issue of shares to the public during the year.
- (xxi) According to the information and explanations 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

C.N. GANGADARAN

Partner

Membership Number: 011205

Place: Chennai
Date : 30th May, 2007

Ramco Systems Limited, INDIA

BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Share Capital	I	153,918,750	153,918,625
b) Reserves & Surplus	II	1,942,495,746	1,942,493,371
		<u>2,096,414,496</u>	<u>2,096,411,996</u>
2. Loan Funds			
a) Secured	III	654,806,396	546,807,399
b) Unsecured	IV	965,474,658	855,425,090
		<u>1,620,281,054</u>	<u>1,402,232,489</u>
TOTAL		<u>3,716,695,550</u>	<u>3,498,644,485</u>
II. APPLICATION OF FUNDS			
1. Fixed Assets			
V			
Gross Block		2,648,275,151	2,408,994,973
Less : Depreciation		994,977,063	787,661,168
Net Block		<u>1,653,298,088</u>	<u>1,621,333,805</u>
2. Investments			
	VI	1,310,781,967	1,228,259,486
3. Current Assets, Loans & Advances			
a) Inventories	VII	98,337	20,850,468
b) Sundry Debtors	VIII	407,387,144	401,688,901
c) Cash & Bank Balances	IX	20,576,393	175,224,680
d) Loans & Advances	X	95,459,072	126,318,249
e) Other Current Assets	XI	32,378,323	20,198,421
		<u>555,899,269</u>	<u>744,280,719</u>
Less: Current Liabilities and Provisions			
a) Current Liabilities	XII	430,419,099	413,201,462
b) Provisions	XIII	35,579,151	22,709,838
		<u>465,998,250</u>	<u>435,911,300</u>
Net Current Assets		<u>89,901,019</u>	<u>308,369,419</u>
4. Profit & Loss account			
	XIV	662,714,476	340,681,775
TOTAL		<u>3,716,695,550</u>	<u>3,498,644,485</u>

Significant Accounting Policies and Notes on 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

M.M. VENKATACHALAM

Place : Chennai
Date : 30th May, 2007

SUBRAMANIAN NARAYAN
Company Secretary

V. JAGADISAN
Directors

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	Year ended 31.03.2007 Rs.	Year ended 31.03.2006 Rs.
INCOME			
Sales	XV	785,709,506	1,174,677,857
Other Income	XVI	<u>82,963,721</u>	<u>43,330,012</u>
		<u>868,673,227</u>	<u>1,218,007,869</u>
EXPENDITURE			
Cost of Resale Material		13,528,497	386,324,318
Employee Compensation & Benefits	XVII	611,572,070	604,368,142
Sales & Marketing Expenses	XVIII	22,070,242	17,660,906
Administrative & Other Expenses	XIX	<u>195,712,484</u>	<u>233,637,613</u>
		<u>842,883,293</u>	<u>1,241,990,979</u>
Profit / (Loss) before Interest, Depreciation & Tax		25,789,934	(23,983,110)
Interest & Finance Charges	XX		
- For R&D activities		33,794,983	52,067,125
- For Others		<u>95,315,841</u>	<u>73,363,861</u>
		<u>129,110,824</u>	<u>125,430,986</u>
Profit / (Loss) before Depreciation & Tax		(103,320,890)	(149,414,096)
Depreciation			
- on Technology Platform & Product Software		143,559,548	119,169,531
- on other fixed assets		<u>70,352,263</u>	<u>63,898,148</u>
		<u>213,911,811</u>	<u>183,067,679</u>
Profit / (Loss) before Tax		(317,232,701)	(332,481,775)
Provision for Taxation			
Current Taxation		-	-
Deferred Taxation (Refer Note No. 8)		-	-
Fringe Benefit Tax		<u>4,800,000</u>	<u>8,200,000</u>
Profit / (Loss) after Tax		(322,032,701)	(340,681,775)
Balance in Profit & Loss Account brought forward from previous year		<u>(340,681,775)</u>	-
Balance in Profit & Loss Account		<u>(662,714,476)</u>	<u>(340,681,775)</u>

 Significant Accounting Policies and Notes on 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

M.M. VENKATACHALAM

 Place : Chennai
Date : 30th May, 2007

SUBRAMANIAN NARAYAN
Company Secretary

V. JAGADISAN
Directors

Ramco Systems Limited, INDIA

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	Year ended 31.03.2007 Rs.	Year ended 31.03.2006 Rs.
A. Cash Flow From Operating Activities		
Net Profit / (Loss) before tax	(317,232,701)	(332,481,775)
Adjustments for:		
Depreciation	213,911,811	183,067,679
Interest & Finance Charges	129,110,824	125,430,986
Unrealised foreign exchange fluctuation (gain) / loss	(7,653,623)	(4,433,057)
(Profit)/Loss on sale of assets - Net	798,547	1,132,191
Interest Received	(8,566,526)	(5,719,428)
Dividend income	(46,640,000)	(6,312,047)
Provision for Fringe Benefit Tax	(4,800,000)	(2,400,000)
Operating Profit/(Loss) before Working Capital Changes	(41,071,668)	(41,715,451)
Working Capital Changes:		
(Increase) / Decrease in Trade and Other receivables	(152,218,642)	(20,265,331)
(Increase) / Decrease in Inventories	(67,316)	6,612,104
(Increase) / Decrease in Other current assets [other than Cash and Bank]	(17,190,908)	(5,991,982)
Increase / (Decrease) in Current liabilities and Provisions	148,185,081	70,953,783
Cash generated from operations	(62,363,453)	9,593,123
Fringe Benefit Tax paid	-	(5,800,000)
Net Cash (used in) / from operating activities	(62,363,453)	3,793,123
B. Cash Flow from Investing Activities		
Purchase of Fixed assets - for R&D activities	(4,669,872)	(7,080,921)
Purchase of Fixed assets - for Others	(64,427,197)	(48,407,502)
Investment in R&D activities	(183,722,125)	(243,900,169)
Net Investment in Mutual Funds	5,777,325	(5,811,519)
Proceeds from Sale of fixed assets	2,956,645	1,655,268
Interest received	8,566,526	5,719,428
Dividend income	46,640,000	6,312,047
Net cash (used in) / from Investing Activities	(188,878,698)	(291,513,368)
C. Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	2,500	639,113,367
Proceeds from secured borrowings - for R&D activities	-	298,300,000
Proceeds from secured borrowings - for Others	109,655,162	44,810,676
Proceeds from unsecured borrowings - for R&D activities	70,000,000	-
Proceeds from unsecured borrowings - for Others	540,424,658	510,375,090
Repayment of secured borrowings	(1,656,165)	(306,785,208)
Repayment of unsecured borrowings	(500,375,090)	(684,962,005)
Interest & Finance Charges	(129,110,824)	(125,430,986)
Net Cash from financing activities	88,940,241	375,420,934
Net Increase / (Decrease) in cash and cash equivalents	(162,301,910)	87,700,689
Cash and Cash equivalents at the beginning of the year	175,224,680	83,090,934
Effect of Unrealised foreign exchange fluctuation gain / (loss)	7,653,623	4,433,057
Cash and Cash equivalents at the end of the year	20,576,393	175,224,680

Notes:

1) The sale of the Secure Converged Networking (SCN) division of the company to its wholly owned subsidiary, Ramco Infotech Solutions Ltd., (RITS) effective 1st April, 2006, is partly a non-cash transaction, as explained in Note no. 18 to the Notes on Accounts and hence not considered above, as per Accounting Standard 3 issued by The Institute of Chartered Accountants of India. In view of this, the previous year's figures are not comparable.

2) 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 **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

M.M. VENKATACHALAM

Place : Chennai
Date : 30th May, 2007

SUBRAMANIAN NARAYAN
Company Secretary

V. JAGADISAN
Directors

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2007

		As at 31.03.2007	As at 31.03.2006
	Rs.	Rs.	Rs.
Schedule I			
Share Capital			
Authorised Share Capital			
30,000,000 equity Shares of Rs.10/- each (Previous year 30,000,000 of Rs.10/- each)		<u>300,000,000</u>	<u>300,000,000</u>
Issued Share Capital			
15,705,664 equity shares of Rs.10/- each (Previous year 15,705,664 of Rs.10/- each)		<u>157,056,640</u>	<u>157,056,640</u>
Subscribed Share Capital			
15,705,664 equity shares of Rs.10/- each (Previous year 15,705,664 of Rs.10/- each)		<u>157,056,640</u>	<u>157,056,640</u>
Paid up Share Capital			
15,356,486 (Previous year 15,356,461) Equity shares of Rs.10/- each fully paid up (Refer Note No. 11)	153,564,860		
Add: Forfeited Shares (Previous year Rs.354,015/-)	<u>353,890</u>	<u>153,918,750</u>	<u>153,918,625</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 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.			
		As at 31.03.2007	As at 31.03.2006
	Rs.	Rs.	Rs.
Schedule II			
Reserves & Surplus			
Share Premium (Refer Note No. 11)	1,942,383,836		
Add: Forfeited Shares (Previous year Rs.114,285/-)	<u>111,910</u>	<u>1,942,495,746</u>	<u>1,942,493,371</u>
		<u>1,942,495,746</u>	<u>1,942,493,371</u>
Schedule III			
Secured Loans			
a) Bank Borrowings		150,364,043	40,906,602
b) Term Loan from Banks		502,229,452	501,656,165
c) Hire Purchase Loans		2,212,901	4,244,632
(For security details, refer Note No.2)		<u>654,806,396</u>	<u>546,807,399</u>
Schedule IV			
Unsecured Loans			
Short Term Loans - from Banks		515,474,658	665,425,090
- from others		450,000,000	190,000,000
(For security details, refer Note No.2)		<u>965,474,658</u>	<u>855,425,090</u>

Ramco Systems Limited, INDIA

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2007

Schedule V- Fixed Assets

(Rs.)

Asset Description	Gross Block			Depreciation Block				Net Block		
	As at 01.04.06	Additions	Withdrawals	As at 31.03.07	As at 01.04.06	For the year	Withdrawals	Up to 31.03.07	As at 01.04.06	As at 31.03.07
Land	117,819,601	-	-	117,819,601	-	-	-	-	117,819,601	117,819,601
Building	167,069,726	-	-	167,069,726	51,368,469	5,579,464	-	56,947,933	115,701,258	110,121,794
Plant & Machinery										
- EDP	306,374,195	30,943,664	9,654,540	327,663,320	225,461,174	27,730,103	6,003,684	247,187,593	80,913,021	80,475,726
- Software	129,163,684	33,748,796	-	162,912,480	73,129,178	21,079,720	-	94,208,898	56,034,506	68,703,582
- Others	31,864,935	-	-	31,864,935	16,807,352	1,907,726	-	18,715,078	15,057,583	13,149,857
Technology Platform	710,701,514	60,742,990	-	771,444,504	217,161,625	71,070,152	-	288,231,777	493,539,889	483,212,727
Product Software	724,893,964	122,979,135	-	847,873,099	100,059,039	72,489,396	-	172,548,435	624,834,925	675,324,664
Furniture										
- Furniture	96,642,829	1,820,265	383,222	98,079,872	50,629,267	6,725,299	72,340	57,282,226	46,013,562	40,797,646
- Office Equipments	17,566,100	-	-	17,566,100	7,718,356	812,375	-	8,530,731	9,847,744	9,035,369
Electrical Items	98,486,632	2,200,456	997,390	99,689,698	44,017,923	5,895,871	100,597	49,813,197	54,468,709	49,876,501
Vehicles	8,411,792	383,888	2,503,864	6,291,816	1,308,785	621,705	419,295	1,511,195	7,103,007	4,780,621
Total	2,408,994,973	252,819,194	13,539,016	2,648,275,151	787,661,168	213,911,811	6,595,916	994,977,063	1,621,333,805	1,653,298,088
Previous Year	2,113,416,786	299,388,591	3,810,404	2,408,994,973	605,616,435	183,067,679	1,022,946	787,661,168	1,507,800,351	1,621,333,805

Notes: 1. For policy on fixed assets and depreciation refer significant accounting policy No. III

2. Gross Block includes assets purchased under Hire Purchase Rs.5,595,601/- (Previous Year Rs.6,968,915/-)

As at 31.03.2007 As at 31.03.2006
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	743,412,072	743,412,072
(Previous year 192,729,550 shares @ USD 0.0145 each)		
1,400,000 Shares in Ramco Systems Ltd., Switzerland of face value CHF 1 each	441,702,040	441,702,040
(Previous year 1,400,000 Shares @ CHF 1 each)		
725,000 Shares in Ramco Systems Pte. Ltd., Singapore of face value SGD 1 each	18,616,100	18,616,100
(Previous year 725,000 Shares @ SGD 1 each)		
1,280,000 Shares in Ramco Systems Sdn. Bhd., Malaysia of face value RM 1 each	18,217,054	18,217,054
(Previous year 1,280,000 Shares @ RM 1 each)		
100 Shares in RSL Enterprise Solutions (Pty.) Ltd., South Africa of face value ZAR 1 each	701	701
(Previous year 100 Shares @ ZAR 1 each)		
3,889,122 Shares in Ramco Infotech Solutions Ltd., Chennai of face value Rs.10 each		
(Previous year 50,000 Shares @ Rs.10 each) (Refer Note Nos.18 &19)	88,799,806	500,000
2. Investment in Mutual Fund Units - Short Term (non-trade - Unquoted) (34.191 units purchased under Standard Chartered Liquidity Manager - Plus Daily Dividend Plan)	34,194	5,811,519
(Previous year 581,093.787 units purchased under Standard Chartered Liquidity Manager - Daily Dividend Plan)		
	1,310,781,967	1,228,259,486

Schedule VII

Inventories

Resale Hardware & Software Materials	98,337	20,850,468
(Valued at Cost or Net realisable value whichever is lower and as certified by management)		

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2007

	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
Schedule VIII		
Sundry Debtors		
(Unsecured, Considered Good)		
a) Debts Outstanding for period exceeding six months		
(i) From Subsidiaries	95,821,893	9,212,998
(ii) Others	76,151,344	73,709,526
b) Other debts		
(i) From Subsidiaries	123,296,700	82,939,568
(ii) Others	112,117,207	235,826,809
(Unsecured, Considered doubtful)		
Debts - (out of (a)(ii) above)	333,975	333,975
Less: Provision for doubtful debts	(333,975)	(333,975)
	407,387,144	401,688,901
Schedule IX		
Cash and Bank Balances		
Cash on hand	131,882	1,105,490
Balances with Scheduled Banks in		
a) Current Accounts	19,669,511	33,118,190
b) Deposit Accounts	775,000	141,001,000
	20,576,393	175,224,680
Schedule X		
Loans and Advances		
(Unsecured, Considered Good)		
Advance recoverable in Cash or kind or value to be received		
From Subsidiaries	13,600,000	-
From Others	56,123,055	66,695,823
Tax deducted at Source	17,603,563	35,525,832
Deposits with Government Departments and Others	8,132,454	24,096,594
(Unsecured, Considered doubtful)		
Advance recoverable in Cash or kind or value to be received	567,211	567,211
Less: Provision for doubtful advances	(567,211)	(567,211)
	95,459,072	126,318,249
Schedule XI		
Other Current Assets		
Prepaid expenses	18,857,226	19,327,052
Software Work In Progress	13,486,260	-
Interest accrued	34,837	871,369
	32,378,323	20,198,421
Schedule XII		
Current Liabilities		
For Purchases	38,662,719	111,993,063
For Expenses		
To subsidiaries	241,233,543	140,123,043
To others	145,098,015	159,482,616
Interest accrued but not due on loans	5,424,822	1,602,740
	430,419,099	413,201,462
Schedule XIII		
Provisions		
Provision for staff benefit schemes	28,379,151	20,309,838
Provision for Taxation (refer Note No.7)	7,200,000	2,400,000
	35,579,151	22,709,838
Schedule XIV		
Profit & Loss Account		
Balance brought forward from P&L Account	662,714,476	340,681,775

Ramco Systems Limited, INDIA

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Year ended 31.03.2007 Rs.	Year ended 31.03.2006 Rs.
Schedule XV		
Sales		
Software Revenues (Licensing & Services)	671,102,684	566,209,389
Value Added Resale Software & Hardware Materials	20,043,564	539,828,820
Royalty	94,563,258	68,639,648
	<u>785,709,506</u>	<u>1,174,677,857</u>
Schedule XVI		
Other Income		
Interest Received (TDS Rs.199,258/- (Previous year Rs.301,935/-))	8,566,526	5,719,428
Profit on sale of assets	13,744	11,860
Foreign Exchange Fluctuation	-	6,874,114
Rent Income	25,484,323	18,840,960
Dividend from subsidiary company	46,640,000	6,200,528
Dividend from investment in mutual fund units	1,972,675	111,519
Miscellaneous Income	286,453	5,571,603
	<u>82,963,721</u>	<u>43,330,012</u>
Schedule XVII		
Employee Compensation & Benefits		
Salaries, Bonus etc.	528,340,860	531,796,057
Gratuity & Superannuation Fund Contributions	27,452,763	17,351,709
Provident Fund Contributions	23,915,472	24,831,743
Staff Welfare	31,862,975	30,388,633
	<u>611,572,070</u>	<u>604,368,142</u>
Schedule XVIII		
Sales & Marketing Expenses		
Advertisement & Sales Promotion	22,055,593	16,391,730
Handling, Packing, Forwarding and others	14,649	1,269,176
	<u>22,070,242</u>	<u>17,660,906</u>
Schedule XIX		
Administrative & Other Expenses		
Consultancy Charges	16,211,155	7,769,330
Bank Charges	1,551,624	6,093,755
Insurance	1,420,459	2,179,177
Loss on sale of assets	812,291	1,144,051
Communication Expenses	11,973,975	17,277,842
Power & Fuel	12,285,574	13,985,931
Printing & Stationery	2,212,847	3,407,433
Rates & Taxes	7,465,318	17,323,084
Rent	42,685,753	47,162,582
Repairs - Building	4,447,457	1,592,960
Repairs - Plant & Machinery	13,771,721	12,804,780
Repairs - Others	3,571,242	3,919,767
Travel & Conveyance	59,381,494	66,990,680
Bad Debts Written off	976,067	10,226,066
Foreign Exchange Fluctuation	2,306,323	-
Miscellaneous Expenses	14,639,184	21,760,175
	<u>195,712,484</u>	<u>233,637,613</u>
Schedule XX		
Interest & Finance Charges		
Interest on loans taken for R&D activities	33,794,983	52,067,125
Interest for others		
- Fixed Loans	-	55,356
- Hire Purchase & Finance Charges	589,583	2,210,969
- Others	94,726,258	71,097,536
	<u>95,315,841</u>	<u>73,363,861</u>
	<u>129,110,824</u>	<u>125,430,986</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) Software development / Implementation Fees

Software development / Implementation Contracts are either fixed price based or time and material based. In case of fixed price contracts, revenue is recognized in accordance with percentage of completion method of accounting. In case of time and material contracts, revenue is recognized based on billable time spent in the project, priced at the contractual rate.

iii) Annual Maintenance Contract

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

B. Value Added Resale Hardware & Software

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

C. Other Income

Interest on bank deposits and rental income are recognized 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 weighted average number of equity shares outstanding during the period.

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

	(Rs. in thousands)	
	As at 31.03.2007	As at 31.03.2006
1. Contingent Liabilities		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	17,678	14,653
(b) Bank Guarantees	9,315	57,267
(c) Letters of Credit	6,133	1,050
(d) Corporate guarantee furnished by the Company to UTI Bank Ltd, for its subsidiary, Ramco Infotech Solutions Ltd., to support their credit facilities	130,000	Nil

The Company has provided a corporate guarantee to its subsidiary, Ramco Systems Ltd., Switzerland, undertaking to meet all liabilities that may arise to the subsidiary pursuant to a claim against it by one of its customer. In view of the ongoing negotiations between the subsidiary and the customer in this regard, the liability to the Company, if any, that may arise is not quantifiable.

2. Secured & Unsecured Loans

Borrowings from the banks for working capital amounting to Rs.30,000 thousands (Previous year Rs.30,000 thousands) 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.120,364 thousands (Previous year Rs.10,907 thousands) 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 and supported by a Corporate Guarantee from Madras Cements Limited and Ramco Industries Limited.

Borrowings from UTI Bank Limited (Under Term Loans from Banks) amounting to Rs.252,229 thousands (Previous year Rs.251,656 thousands) are secured by subservient charge on current assets including stocks and book debts and supported by a Corporate Guarantee from Madras Cements Limited.

Borrowings from The Federal Bank Limited (Under Term Loans from Banks) amounting to Rs.250,000 thousands (Previous year Rs.250,000 thousands) are secured by first charge by way of equitable mortgage on Land & Building and Movable Fixed Assets located at No.64, Sardar Patel Road, Taramani, Chennai.

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

Of the total unsecured loans of Rs.965,475 thousands (Previous year Rs.855,425 thousands), Rs.615,050 thousands (Previous year Rs.575,050 thousands) are supported by a Corporate Guarantee from Madras Cements Limited and Rs.150,425 thousands (Previous year Rs.250,375 thousands) are supported by a Corporate Guarantee from Ramco Industries Limited.

3. Current Liabilities

There are no outstandings exceeding a sum of Rs.100,000 to Small Scale Industrial undertakings, for more than 30 days.

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

(Rs. in thousands)

	Year ended 31.03.2007		Year ended 31.03.2006	
A) Sales				
a) Software Solutions and Services	785,710		632,043	
b) Secure Converged Networking	-		542,635	
B) CIF Value of Imports				
Raw Materials	6,601		313,402	
Components & spare parts	-		-	
Capital goods	2,469		2,581	
TOTAL	<u>9,070</u>		<u>315,983</u>	
C) Expenditure in Foreign Currency on account of				
Professional / consultation fees	3,238		1,418	
Travelling	25,080		31,400	
Patents	2,083		6,947	
Others	7,285		9,617	
TOTAL	<u>37,686</u>		<u>49,382</u>	
D) Number of Non-resident shareholders	102		96	
E) Value of consumption of imported and indigenous raw materials and spare parts				
	Value (Rs. in thousands)	%	Value (Rs. in thousands)	%
Raw Material				
Imported	6,601	48.79	281,089	72.76
Indigenous	6,927	51.21	105,235	27.24
F) Earnings in Foreign Exchange				
Export of goods & Services on F.O.B basis	324,637		308,790	
Royalty	94,563		68,640	
Dividend	46,640		6,201	
Others	-		2,778	
TOTAL	<u>465,840</u>		<u>386,409</u>	

5. Fees paid to Statutory Auditors inclusive of service tax

(Rs. in thousands)

Sl. No.	Particulars	Year ended 31.03.2007	Year ended 31.03.2006
(a)	Statutory Audit	673	673
(b)	Tax Audit	101	101
(c)	Independent Auditor's report under AS-21	224	220
(d)	Audit & certification of accounts for Rights Issue – 2005	-	1,267
(e)	Others	112	55

The fees against Sl.No. (d) above are included as part of Rights Issue expenses and adjusted against Share Premium account and the rest are included under the head "Consultancy Charges".

6. Managerial Remuneration

In the Extraordinary General Meeting of the Company held on 4th April, 2005, the shareholders have approved the reappointment of Shri P.R. Venketrama Raja, as Vice Chairman, Managing Director & CEO (VCMD & CEO) for a period of five years with effect from 23rd March, 2005, on the same terms and conditions as were applicable before the reappointment. The Central Government had also accorded its approval for the same.

Computation of Profits as per Section 349 of the Companies Act, 1956 for remuneration to VCMD & CEO for the year ended 31st March, 2007:

		(Rs.)
Profit / (Loss) before Tax		(317,232,701)
Add: Directors Sitting Fees	195,000	
Vice Chairman, Managing Director & CEO's Remuneration	1,274,400	
Debts considered bad and written off	976,067	2,445,467
Loss arrived for the purpose of Managerial Remuneration		<u>(314,787,234)</u>

5% of the above – Rs. Nil

The Company's VCMD & CEO 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:

		(Rs.)
	<u>2006-07</u>	<u>2005-06</u>
Basic pay	720,000	720,000
House Rent Allowance	360,000	360,000
Contribution to Provident Fund	86,400	86,400
Contribution to Superannuation Fund	108,000	108,000
Total	<u>1,274,400</u>	<u>1,274,400</u>

This remuneration has been adjusted in the overall maximum remuneration of Rs.17,499,077/- (Previous Year Rs.24,962,867/-) payable by Ramco Industries Limited at 5% of its net profits computed in accordance with the provisions of the said Act.

7. Taxation

No provision for current Income Tax for the Company (including its Branches at United Kingdom and Germany) other than Fringe Benefit Tax 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 thousands)
	Year ended	Year ended
	31.03.2007	31.03.2006
Total Research & Development expenditure capitalized during the year, as per Schedules 5 to R&D Accounts	183,722	243,900
Of the above,		
Shown as "Technology Platform" under Fixed Assets	60,743	80,765
Shown as "Product Software" under Fixed Assets	122,979	163,135

10. Sundry Debtors

Sundry Debtors include dues from overseas subsidiaries as given below:

Sl. No.	Subsidiary	Outstanding as on 31.03.2007	Maximum amount due during the year
A	Ramco Systems Corporation, USA	Rs.107,961 thousands (Previous year Rs.45,325 thousands)	Rs.107,961 thousands (Previous year Rs.45,325 thousands)
B	Ramco Systems Limited, Switzerland	Rs.26,631 thousands (Previous year Rs.6,972 thousands)	Rs.26,631 thousands (Previous year Rs.6,972 thousands)
C	Ramco Systems Sdn., Bhd., Malaysia	Rs.1,976 thousands (Previous year Nil)	Rs.2,350 thousands (Previous year Nil)
D	Ramco Systems Pte Ltd., Singapore	Rs.43,744 thousands (Previous year Rs.8,041 thousands)	Rs.43,744 thousands (Previous year Rs.13,017 thousands)
E	RSL Enterprise Solutions (Pty.) Ltd., South Africa	Rs.38,807 thousands (Previous year Rs.31,814 thousands)	Rs.38,807 thousands (Previous year Rs.133,509 thousands)
	Total	Rs.219,119 thousands (Previous year Rs.92,152 thousands)	

11. Equity and Share Premium

The Board of Directors of the Company in its meeting held on 27th May, 2006 approved the annulment of forfeiture in respect of 25 equity shares issued under Rights Issue-2003. Consequent to the said annulment, the paid up capital of the company has increased as below:

Movement in share capital and share premium is given below:

(Rs. in thousands)

	Share capital	Share premium
Opening balance	153,919	1,942,493
Reissue of 25 forfeited shares by way of annulment (Rights Issue - 2003)	-	3
Closing Balance	153,919	1,942,496

Year ended	Year ended
31.03.2007	31.03.2006

12. Earnings per share (EPS):

Profit / (Loss) after tax (Rs.)	(A)	(322,032,701)	(340,681,775)
Weighted average Equity Shares outstanding (Nos.)	(B)	15,356,482	12,739,817
EPS - Basic & diluted (Rs.) (per share of Rs.10/- each)	(A/B)	(20.97)	(26.74)

13. 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 payable to these stock exchanges have been paid.

14. The Company has branches in United Kingdom and Germany. The United Kingdom branch has made a turnover of Rs.11,639 thousands for the year ended 31st March, 2007 (Previous Year Rs.31,465 thousands) and the Germany branch has made a turnover of Rs.807 thousands for the year ended 31st March, 2007 (Previous Year Rs.672 thousands).

15. Amounts recovered from Subsidiaries towards expenses incurred on account of on-site employees to the extent of Rs.65,149 thousands (Previous Year Rs.48,643 thousands) have been netted off from expenses.

16. Related Party Transactions:

As per Accounting Standard 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				(Rs.)
Type of transaction	Particulars	Subsidiaries	Group	KMP
Export of software & services	Transaction during the year	319,254,353	-	-
	Outstanding as on 31.03.07	94,790,875	-	-
Sale of goods & services	Transaction during the year	-	67,901,073	-
	Outstanding as on 31.03.07	-	-	-
Royalty	Transaction during the year	94,563,258	-	-
	Outstanding as on 31.03.07	124,327,718	-	-
Cost of services availed	Transaction during the year	35,904,253	-	-
	Outstanding as on 31.03.07	241,233,543	-	-
Loan availed	Transaction during the year	-	375,000,000	-
	Outstanding as on 31.03.07 (including interest due if any)	-	200,000,000	-
Loan given	Transaction during the year	32,000,000	-	-
	Outstanding as on 31.03.07	2,000,000	-	-
Investments	Transaction during the year	88,299,806	-	-
	Outstanding as on 31.03.07	-	-	-
Interest	Expenses	-	7,944,110	-
	Income	2,949,123	-	-
Dividend Income	Transaction during the year	46,640,000	-	-
	Outstanding as on 31.03.07	11,600,000	-	-

Ramco Systems Limited, INDIA

Previous Year				(Rs.)
Type of transaction	Particulars	Subsidiaries	Group	KMP
Export of software & services	Transaction during the year	282,381,273	-	-
	Outstanding as on 31.03.06	40,277,416	-	-
Sale of goods & services	Transaction during the year	-	29,036,309	-
	Outstanding as on 31.03.06	-	15,822,911	-
Royalty	Transaction during the year	68,639,647	-	-
	Outstanding as on 31.03.06	51,875,152	-	-
Cost of services availed	Transaction during the year	1,538,665	-	-
	Outstanding as on 31.03.06	140,123,043	-	-
Loan availed	Transaction during the year	-	393,000,000	-
	Outstanding as on 31.03.06 (including interest due if any)	-	30,000,000	-
Loan given	Transaction during the year	-	240,000,000	-
	Outstanding as on 31.03.06	-	-	-
Interest	Expenses	-	8,187,944	-
	Income	-	1,207,726	-
Rights Issue of shares	Transaction during the year	-	319,266,570	41,577,480
Dividend Income	Transaction during the year	6,200,528	-	-

Notes:

- Details of corporate guarantees given to subsidiaries are given in Note No.1 above.
- Details of corporate guarantees given by the Group are given in Note No.2 above.
- Details of remuneration paid to Shri.P.R. Venketrama Raja are furnished in Note No.6 above.

17. 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:

Software Solutions and Services

Engaged in the development, licensing, implementation and maintenance of software solutions and engaged in providing professional services and implementing projects.

Secure Converged Networking

Engaged in the development and sale of network and communication hardware, security software and other related services (applicable for the previous year 2005-2006).

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:

Segment Revenue - Primary Segments	(Rs. in thousands)	
	For the year ended March 31 2007	2006
1. Segment Revenue		
Software Solutions and Services	785,710	632,043
Secure Converged Networking	-	542,635
Total Revenue	785,710	1,174,678
Less: Inter Segment Revenue	-	-
Net Sales / Income from Operations	785,710	1,174,678
2. Segment Profit / (Loss) before interest and tax		
Software Solutions and Services	108,905	81,774
Secure Converged Networking	-	15,520
Total	108,905	97,294
Less: Interest	129,111	125,431
Less: Other unallocable expenditure net of unallocable income	297,027	304,345
3. Profit/(Loss) before tax	(317,233)	(332,482)
4. Fringe Benefit Tax	4,800	8,200
5. Profit / (Loss) after tax	(322,033)	(340,682)

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, New Zealand 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 31ST MARCH, 2007 (Rs. in thousands)

Particulars	India & Middle East	Africa	Asean	Europe	America	Total
Software Solutions and Services	425,873	58,021	92,065	23,062	186,689	785,710
Secure Converged Networking	-	-	-	-	-	-
Total Revenue	425,873	58,021	92,065	23,062	186,689	785,710
Less: Inter Segment Revenue	-	-	-	-	-	-
Net Sales / Income from Operations	425,873	58,021	92,065	23,062	186,689	785,710

SECONDARY SEGMENT REPORTING FOR THE YEAR ENDED 31ST MARCH, 2006 (Rs. in thousands)

Particulars	India & Middle East	Africa	Asean	Europe	America	Total
Software Solutions and Services	296,494	72,535	45,625	39,128	178,261	632,043
Secure Converged Networking	542,635	-	-	-	-	542,635
Total Revenue	839,129	72,535	45,625	39,128	178,261	1,174,678
Less: Inter Segment Revenue	-	-	-	-	-	-
Net Sales / Income from Operations	839,129	72,535	45,625	39,128	178,261	1,174,678

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.

18. Consequent to the decision of the Board of Directors in its meeting held on 27th May, 2006 to transfer the Secure Converged Networking (SCN) division of the Company to its wholly owned subsidiary, Ramco Infotech Solutions Ltd., (RITS) and pursuant to the approval of the shareholders for the same, the said SCN division has been transferred to RITS with effect from 1st April, 2006, for a consideration of Rs.11.88 crores being the book value of the net assets of the division as at the commencement of 1st April, 2006, settled by RITS by issue of 3,839,122 equity shares of Rs.10/- each at a premium of Rs.13/- each, aggregating to Rs.8.83 crores and by way of cash / unsecured loan to the extent of Rs.3.05 crores.

Accordingly, the figures appearing against current year 2006-2007 relate to the performance of the Company, excluding the SCN division. In view of this, the previous year figures are not comparable.

19. The Board of Directors of the Company in its meeting held on 12th April, 2007, has approved the divestment of 100% stake in the Company's wholly owned subsidiary - RITS which is engaged in the Secure Converged Networking business to TVS Interconnect Systems Limited (TVSICS), a wholly owned subsidiary of T V Sundaram Iyengar and Sons Limited. The Company has entered into a non binding Memorandum of Understanding with TVSICS. The closure of the transaction is subject to satisfactory due diligence, execution of definitive documents and other approvals and regulatory clearances, and the same is in progress.
20. The figures have been rounded off to the nearest rupee / thousand 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 **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

M.M. VENKATACHALAM

Place : Chennai
Date : 30th May, 2007

SUBRAMANIAN NARAYAN
Company Secretary

V. JAGADISAN
Directors

Ramco Systems Limited, INDIA

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

BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
I. SOURCES OF FUNDS			
1. Loan Funds		533,000,000	298,300,000
2. Head Office Contra Account		1,924,369,526	1,934,478,119
TOTAL		2,457,369,526	2,232,778,119
II. APPLICATION OF FUNDS			
1. Fixed Assets	1		
Gross Block		2,163,966,491	1,975,574,494
Less : Depreciation		848,396,910	677,451,598
Net Block		1,315,569,581	1,298,122,896
2. Current Assets			
Other Current Assets		-	700,000
Less: Current Liabilities and Provisions		11,667,326	7,564,398
Net Current Assets / (Liabilities)		(11,667,326)	(6,864,398)
3. Revenue Expenditure relating to Research	2	1,153,467,271	941,519,621
TOTAL		2,457,369,526	2,232,778,119

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

C.N. GANGADARAN
Partner

Place: Chennai
Date : 30th May, 2007

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

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

SUBRAMANIAN NARAYAN
Company Secretary

S.S. RAMACHANDRA RAJA

N.K. SHRIKANTAN RAJA

M.M. VENKATACHALAM

V. JAGADISAN
Directors

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	Year Ended 31.03.2007 Rs.	Year Ended 31.03.2006 Rs.
EXPENDITURE			
Employee Compensation & Benefits	3	2,234,864	2,637,358
Administrative & Other Expenses	4	4,972,491	5,289,106
Interest & Finance Charges		33,794,983	52,067,125
Depreciation			
- on Technology Platform & Product Software		143,559,548	119,169,531
- on other R&D fixed assets		27,385,764	24,684,967
Total Expenditure		211,947,650	203,848,087

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

C.N. GANGADARAN
Partner

Place: Chennai
Date : 30th May, 2007

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

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

SUBRAMANIAN NARAYAN
Company Secretary

S.S. RAMACHANDRA RAJA

N.K. SHRIKANTAN RAJA

M.M. VENKATACHALAM

V. JAGADISAN
Directors

SCHEDULE TO BALANCE SHEET FOR R&D AS AT 31ST MARCH, 2007

Schedule 1 : Fixed Asset

Asset Description	Gross Block			Depreciation Block				Net Block		
	As at 01.04.06	Additions	Withdrawals	As at 31.03.07	Upto 01.04.06	For the year	Withdrawals	Upto 31.03.07	As at 01.04.06	As at 31.03.07
Building	121,513,175	-	-	121,513,175	32,441,616	4,232,323	-	43,879,838	83,071,556	78,833,236
Plant & Machinery	242,256,640	2,265,611	-	244,522,251	220,896,540	11,528,982	-	231,897,262	21,561,100	12,532,046
EDP	57,306,686	2,404,261	-	40,210,348	21,596,101	3,655,422	-	25,534,523	16,106,584	14,275,723
Software	3,521,073	-	-	3,521,073	2,567,445	643,222	-	3,531,872	643,222	-
Others	710,701,614	60,742,990	-	771,444,604	217,161,625	71,070,152	-	288,231,777	463,520,566	483,212,727
Technology Platform	724,893,964	122,872,155	-	847,273,099	100,059,036	72,486,396	-	172,548,435	224,834,825	675,324,664
Product Software	54,368,620	-	-	54,368,620	32,680,206	3,618,563	-	36,298,869	21,666,414	12,068,751
Furniture	7,148	-	-	7,148	4,502	326	-	5,148	2,540	2,061
Furniture	50,493,377	-	-	50,493,377	45,649,225	3,720,727	-	47,369,947	36,644,167	32,823,436
Office Equipment										
Electrical Items										
Total	1,573,374,484	156,381,897	-	1,875,774,484	677,431,528	170,943,312	-	846,586,910	1,298,122,896	1,313,569,591
Previous year	1,724,593,404	250,981,090	-	1,875,774,484	533,597,100	143,554,462	-	677,451,562	1,190,966,504	1,298,122,586

As at 31.03.2007

Rs.

As at 31.03.2006

Rs.

Schedule 2 : Revenue Expenditure relating to Research

Transferred from Profit & Loss Account

(211,947,650)

(203,848,087)

Balance brought forward from previous year

(941,519,621)

(737,671,534)

(1,153,467,271)

(941,519,621)

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR R&D FOR THE YEAR ENDED 31ST MARCH, 2007

Year ended

31.03.2007

Rs.

Year ended

31.03.2006

Rs.

Schedule 3 : Employee compensation & benefits

Salaries, Bonus, Contributions etc.

164,879,420

209,106,147

Staff welfare

2,234,864

2,637,358

Less: Product Research and Development Expenditure Capitalised

(164,879,420)

(209,106,147)

2,234,864

2,637,358

Schedule 4: Administrative and other expenses

Communication Expenses

2,710,534

4,138,441

Power & Fuel

15,952,901

16,488,730

Rent

2,889,804

18,305,293

Travel & Conveyance

1,301,822

292,459

Miscellaneous Expenses

960,135

858,206

Less: Product Research and Development Expenditure Capitalised

(18,842,705)

(34,794,023)

4,972,491

5,289,106

Schedule 5: Calculation of Recurring R&D Expenditure

Total Expenditure as per P&L Account

211,947,650

203,848,087

Add: Capitalised R&D Expenditure:

- Employee Compensation & benefits

164,879,420

209,106,147

- Administrative & Other Expenses

18,842,705

34,794,023

183,722,125

243,900,170

Total Expenditure

395,669,775

447,748,257

Less:

Depreciation on Technology Platform and Product Software

143,559,548

119,169,531

Depreciation on other R&D fixed assets

27,385,764

24,684,967

170,945,312

143,854,498

Recurring R&D Expenditure

224,724,463

303,893,759

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

C.N. GANGADARAN
Partner

Place: Chennai
Date : 30th May, 2007

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

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

SUBRAMANIAN NARAYAN
Company Secretary

S.S. RAMACHANDRA RAJA

N.K. SHRIKANTAN RAJA

M.M. VENKATACHALAM

V. JAGADISAN
Directors

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	RBL Enterprises Solutions (Pty) Ltd. South Africa	Ramco Infotech Solutions Limited, Chennai
2	Financial Year end of the Subsidiary Company	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007	March 31, 2007
3	No. of shares held in the Subsidiary Company as on the above date	192,728,560 Equity Shares of USD 0.0146 each	1,430,000 Equity Shares of CHF 1/- each	1,280,000 Equity Shares of RM 1/- each	735,000 Equity Shares of SGD 1/- each	100 Equity Shares of ZAR 1/- each	3,855,122 Equity Shares of Rs.10/- each
4	Percentage of holding (Equity)	36%	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	RM 438,875	Nil	ZAR 6,000,000	Nil
	a. Debit with Accounts of the Company for the year ended 31st March, 2007						
	b. Not dealt with Accounts of the Company for the year ended 31st March, 2007	USD 181,872	(CHF 122,035)		(SGD 1,152,721)	ZAR 8,357,515	(Rs. 3,632,363)
7	The net aggregate of Profit(Losses) of the Subsidiary Company for the previous financial year since it became a subsidiary company so far as they concern the members of the Company	Nil	Nil	RM 1,864,000	Nil	Nil	Nil
	a. Debit with Accounts of the Company for the year ended 31st March, 2006			(RM 567,327)			
	b. Not dealt with Accounts of the Company for the year ended 31st March, 2006	(USD 3,966,172)	(CHF 1,345,500)		SGD 667,214	ZAR 13,066,965	(Rs. 2,967)
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 31st March, 2007	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 31st March, 2007	N/A	N/A	N/A	N/A	N/A	N/A

S.S. RAMACHANDRA RAJA

M.K. SRINIKANTAN RAJA

M.M. VENKATACHALAM

F.R. RAMASUBRAMANJAYA RAJINA
Chairman

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

V. JAGADISHAN
Director

SUSRAMANIAN NARAYAN
Company Secretary

Place: Chennai
Date: 30th May, 2007

INFORMATION WITH REGARD TO SUBSIDIARY COMPANIES

(Furnished as required by the letter No. F.No.47/136/2007-CL-III dated 25th March, 2007 of the Ministry of Company Affairs, Government of India, exempting the full disclosure of financial statements of the Subsidiary Companies under Section 212 (b) of the Companies Act, 1956)

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)	
												2006	F&A
Ramco Systems Corporation, USA	2006-2007 2005-2006	105,740 102,740	50,763 20,712	161,899 132,643	161,899 168,363	- -	1,043,450 962,645	19,436 28,215	1,999 -	8,531 28,215	- -	43.17 44.45	45.83 44.06
Ramco Systems Ltd. Sri Lanka	2006-2007 2005-2006	29,327 29,327	72,865 52,854	107,389 100,433	107,389 100,433	- 1,706	308,438 300,871	(8,887) (1,945)	- -	(8,887) (1,948)	- -	35.39 34.16	38.38 34.84
Ramco Systems Sdn. Bhd. Malaysia	2006-2007 2005-2006	18,217 12,217	2,899 352	22,816 12,872	22,816 12,872	- -	52,383 41,323	8,222 2,527	- -	8,222 2,527	- 2,201	91.72 11.70	12.37 11.90
Ramco Systems Pte. Ltd. Singapore	2006-2007 2005-2006	18,816 18,816	(12,878) 20,434	12,816 36,060	18,816 36,060	- -	134,772 124,282	(33,623) 19,272	1,888 2,230	(33,281) 17,345	- -	28.45 27.40	22.78 26.46
RSL Enterprises Solutions (Pty) Ltd., South Africa	2006-2007 2005-2006	1 1	32,819 36,404	33,529 36,406	33,529 69,402	- 4	278,411 322,333	42,006 75,626	5,891 21,650	32,105 55,772	48,648 -	8.32 7.64	8.32 6.75
Ramco Infosesh Solutions L.L.C., Chennai, India	2006-2007 2005-2006	38,891 500	44,253 -	129,800 500	129,800 500	- -	642,832 -	(3,902) (2)	1,728 -	(8,652) (2)	- -	NA -	NA -

P.R. RAMASUSRAMANNEYA RAJHA
Chairman

S.S. RAMACHANDRA RAJA

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

N. K. SHRIKANTAN RAJA

M.M. VENKATACHALAM

Place: Chennai
Date: 30th May 2007

SUBRAMANIAN NARAYAN
Company Secretary

V. JAGADISAN
Directors



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**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 Enterprises Solutions (Pty) Ltd., South Africa
6. Ramco Infotech Solutions Ltd., India

AUDITORS

Messrs. CNGSN & ASSOCIATES
Chartered Accountants, Chennai

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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 31st March, 2007, 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.183,320,355/- as at 31st March, 2007 and total revenues of Rs.670,593,484/- 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 31st March, 2007.
- 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 : 30th May, 2007

C.N.GANGADARAN
Partner
Membership Number: 011205

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

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

	SCHEDULE	As at 31.03.2007		As at 31.03.2006	
		Rs.	USD	Rs.	USD
I. SOURCES OF FUNDS					
1. Shareholders' Funds					
a) Share Capital	I	153,918,750	3,527,537	153,918,625	3,527,535
b) Reserves & Surplus	II	1,961,145,671	45,012,686	1,979,640,640	44,522,970
		<u>2,115,064,421</u>	<u>48,540,223</u>	<u>2,133,559,265</u>	<u>48,050,505</u>
2. Minority Interest	III	3,399,413	88,602	3,232,989	84,906
3. Loan Funds					
a) Secured	IV	684,806,396	15,863,016	613,482,399	13,801,629
b) Unsecured	V	970,870,908	22,489,481	860,981,340	19,369,659
		<u>1,655,677,304</u>	<u>38,352,497</u>	<u>1,474,463,739</u>	<u>33,171,288</u>
TOTAL		<u>3,774,141,138</u>	<u>86,981,322</u>	<u>3,611,255,993</u>	<u>81,306,699</u>
II. APPLICATION OF FUNDS					
1. Fixed Assets					
Gross Block	VI	3,777,365,101	87,499,771	3,523,226,975	79,262,699
Less : Depreciation		1,113,461,494	25,792,483	891,702,399	20,060,796
Net Block		<u>2,663,903,607</u>	<u>61,707,288</u>	<u>2,631,524,576</u>	<u>59,201,903</u>
2. Investments	VII	6,509,036	150,777	22,894,072	515,052
3. Current Assets, Loans & Advances					
a) Inventories	VIII	21,751,756	503,863	20,850,468	469,077
b) Sundry Debtors	IX	800,261,086	18,537,436	875,426,971	19,694,645
c) Cash & Bank Balances	X	168,124,781	3,894,481	293,453,671	6,601,882
d) Loans & Advances	XI	112,115,891	2,597,079	149,441,237	3,362,008
e) Other Current Assets	XII	52,443,486	1,214,813	33,042,875	743,372
		<u>1,154,697,000</u>	<u>26,747,672</u>	<u>1,372,215,222</u>	<u>30,870,984</u>
Less: Current Liabilities and Provisions					
a) Current Liabilities	XIII	592,564,058	13,726,293	589,025,298	13,251,413
b) Provisions	XIV	54,218,151	1,255,922	39,846,834	896,442
		<u>646,782,209</u>	<u>14,982,215</u>	<u>628,872,132</u>	<u>14,147,855</u>
Net Current Assets		<u>507,914,791</u>	<u>11,765,457</u>	<u>743,343,090</u>	<u>16,723,129</u>
4. Miscellaneous Expenditure (to the extent not written off / adjusted)	XV	-	-	32,000	720
5. Profit & Loss Account	XVI	595,813,704	13,357,800	213,462,255	4,865,895
TOTAL		<u>3,774,141,138</u>	<u>86,981,322</u>	<u>3,611,255,993</u>	<u>81,306,699</u>
Significant Accounting Policies and Notes on Accounts	XXIII				
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

M.M. VENKATACHALAM

Place: Chennai
Date : 30th May, 2007

SUBRAMANIAN NARAYAN
Company Secretary

V. JAGADISAN
Directors

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	SCHEDULE	Year ended 31.03.2007		Year ended 31.03.2006	
		Rs.	USD	Rs	USD
INCOME					
Sales	XVII	2,667,032,004	59,233,944	2,611,803,462	59,244,160
Other Income	XVIII	53,155,904	1,180,576	36,841,313	835,680
		<u>2,720,187,908</u>	<u>60,414,520</u>	<u>2,648,644,775</u>	<u>60,079,840</u>
EXPENDITURE					
Cost of Resale Material		430,203,086	9,554,676	455,332,603	10,328,418
Employee Compensation & Benefits	XIX	1,613,994,250	35,846,306	1,441,242,308	32,692,042
Sales & Marketing Expenses	XX	109,607,322	2,434,344	140,887,509	3,195,785
Administrative & Other Expenses	XXI	570,063,813	12,660,938	504,934,989	11,453,561
		<u>2,723,868,471</u>	<u>60,496,264</u>	<u>2,542,397,409</u>	<u>57,669,806</u>
Profit/(Loss) before Interest, Depreciation, Amortisation & Tax		(3,680,563)	(81,744)	106,247,366	2,410,034
Interest & Finance Charges	XXII	129,824,423	2,883,360	129,620,917	2,940,222
Profit/(Loss) before Depreciation, Amortisation & Tax		(133,504,986)	(2,965,104)	(23,373,551)	(530,188)
Depreciation on					
Technology Platform & Product Software		143,559,548	3,188,412	119,169,531	2,703,151
Other fixed assets		79,780,666	1,771,904	71,934,829	1,631,715
Profit/(Loss) before Amortisation & Tax		(356,845,200)	(7,925,420)	(214,477,911)	(4,865,054)
Amortisation of Product Research and Development Expenditure		-	-	84,650	1,920
Profit/(Loss) before Tax		(356,845,200)	(7,925,420)	(214,562,561)	(4,866,974)
Provision for Taxation					
Current Taxation		13,349,267	296,483	24,080,298	546,219
Deferred Taxation (Refer Note No.4)		-	-	-	-
Fringe Benefit Tax		6,520,071	144,809	8,200,000	186,003
Minority Interest		166,424	3,696	645,220	14,636
Equity in Earnings /(Losses) of Affiliates		36,080	801	10,841,147	245,912
Profit/(Loss) after Tax		(376,844,882)	(8,369,607)	(236,646,932)	(5,367,920)
Balance in Profit & Loss Account brought forward from previous year		(214,826,394)	(4,895,598)	21,820,538	472,322
Dividend tax on Dividend declaration by subsidiary		(5,506,567)	(122,299)	-	-
Balance in Profit & Loss Account		(597,177,843)	(13,387,504)	(214,826,394)	(4,895,598)

Significant Accounting Policies and Notes on Accounts

XXIII

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

M.M. VENKATACHALAM

 Place: Chennai
Date : 30th May, 2007

SUBRAMANIAN NARAYAN
Company Secretary

V. JAGADISAN
Directors

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	Year ended 31.03.2007 Rs.	Year ended 31.03.2007 USD	Year ended 31.03.2006 Rs.	Year ended 31.03.2006 USD
A. Cash Flow From Operating Activities				
Net Profit / (Loss) before tax	(356,845,200)	(7,925,420)	(214,562,560)	(4,866,974)
Adjustments for:				
Depreciation	223,340,214	4,960,316	191,104,360	4,334,866
Amortisation	32,000	710	84,650	1,920
Interest & Finance Charges	129,824,423	2,883,360	129,620,917	2,940,222
Unrealised foreign exchange fluctuation (gain) / loss	(7,653,623)	(169,985)	(4,433,057)	(100,556)
(Profit)/Loss on sale of assets - Net	(272,780)	(6,058)	(114,556)	(2,599)
Interest Received	(7,768,549)	(172,537)	(6,233,006)	(141,385)
Dividend income	(1,972,675)	(43,812)	(111,519)	(2,530)
Provision for Tax	(5,122,299)	(113,765)	(11,010,287)	(249,748)
Operating Profit / (Loss) before Working Capital Changes	(26,438,489)	(587,191)	84,344,942	1,913,216
Working Capital Changes:				
(Increase) / Decrease in Trade and Other receivables	94,262,025	875,865	(223,545,541)	(4,364,270)
(Increase) / Decrease in Inventories	(901,287)	(34,786)	6,612,104	160,366
(Increase) / Decrease in Other current assets [other than Cash and Bank]	(19,400,611)	(471,441)	(6,260,799)	(129,526)
Increase / (Decrease) in Current liabilities and Provisions	17,910,077	834,360	99,063,532	2,004,637
Cash generated from operations	65,431,715	616,807	(39,785,762)	(415,577)
Tax paid (including Dividend Distribution Tax)	(20,253,606)	(449,826)	(21,270,013)	(482,474)
Net Cash (used in) / from operating activities	45,178,109	166,981	(61,055,775)	(898,051)
B. Cash Flow from Investing Activities:				
Purchase of Fixed assets - for R&D activities	(4,669,872)	(108,174)	(7,080,921)	(159,301)
Purchase of Fixed assets - for Others	(70,297,683)	(1,628,392)	(57,173,963)	(1,286,253)
Investment in R&D activities	(183,722,125)	(4,255,782)	(243,900,169)	(5,487,068)
Net Investment in Companies / Mutual Funds	16,385,035	364,275	(16,544,292)	(369,515)
Proceeds from Sale of fixed assets	2,975,073	68,653	2,902,014	65,308
Interest received	7,768,548	172,537	6,233,006	141,385
Dividend income	1,972,675	43,812	111,519	2,530
Equity in Earnings /(Losses) of Affiliates-2006-07	36,080	801	10,841,147	245,912
Net cash (used in) / from Investing Activities	(229,552,269)	(5,342,270)	(304,611,659)	(6,847,002)
C. Cash Flow from Financing Activities				
Proceeds from Issue of Share Capital	2,500	50	639,113,367	14,482,151
Proceeds from secured borrowings-for R&D activities	-	-	298,300,000	6,710,911
Proceeds from secured borrowings-for Others	75,011,893	1,809,356	203,900,178	4,587,181
Proceeds from unsecured borrowings-for R&D activities	70,000,000	1,621,496	-	-
Proceeds from unsecured borrowings-for Others	540,424,658	12,518,523	290,000,000	6,524,184
Repayment of secured borrowings	(3,687,891)	(252,036)	(453,737,210)	(10,446,714)
Repayment of unsecured borrowings	(500,535,090)	(11,020,198)	(469,686,032)	(11,006,631)
Interest & Finance Charges	(129,824,423)	(2,883,360)	(129,620,917)	(2,940,222)
Net Cash from financing activities	51,391,647	2,297,903	378,269,386	7,910,860
Net Increase / (Decrease) in cash and cash equivalents	(132,982,513)	(2,877,386)	12,601,952	165,807
Cash and Cash equivalents at the beginning of the year	293,453,671	6,601,882	276,418,662	6,335,519
Effect of Unrealised foreign exchange fluctuation gain / (loss)	7,653,623	169,985	4,433,057	100,556
Cash and Cash equivalents at the end of the year	168,124,781	3,894,481	293,453,671	6,601,882

Note: 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 **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

M.M. VENKATACHALAM

Place: Chennai
Date : 30th May, 2007

SUBRAMANIAN NARAYAN
Company Secretary

V. JAGADISAN
Directors

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

Schedule I	As at 31.03.2007		As at 31.03.2006	
	Rs.	USD	Rs.	USD
Share Capital				
Authorised :				
30,000,000 equity Shares of Rs.10/- each (Previous year 30,000,000 of Rs.10/- each)	<u>300,000,000</u>		<u>300,000,000</u>	
Issued Share Capital				
15,705,664 equity shares of Rs.10/- each (Previous year 15,705,664 of Rs.10/- each)	<u>157,056,640</u>	<u>3,600,872</u>	<u>157,056,640</u>	<u>3,600,872</u>
Subscribed Share Capital				
15,705,664 equity shares of Rs.10/- each (Previous year 15,705,664 of Rs.10/- each)	<u>157,056,640</u>	<u>3,600,872</u>	<u>157,056,640</u>	<u>3,600,872</u>
Paid up Capital				
15,356,486 (Previous year 15,356,461) Equity shares of Rs.10/- each fully paid up	<u>153,564,860</u>	<u>3,519,269</u>	<u>153,564,610</u>	<u>3,519,264</u>
Add: Forfeited Shares	<u>353,890</u>	<u>8,268</u>	<u>354,015</u>	<u>8,271</u>
	<u>153,918,750</u>	<u>3,527,537</u>	<u>153,918,625</u>	<u>3,527,535</u>
Of the above				
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 Suidiary 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				
Share Premium (Refer Note No.6)	<u>1,942,495,746</u>	<u>44,944,784</u>	<u>1,942,493,371</u>	<u>44,944,737</u>
Translation Reserve Account (Refer Accounting Policy No.III)	<u>18,649,925</u>	<u>67,902</u>	<u>37,147,269</u>	<u>(421,767)</u>
	<u>1,961,145,671</u>	<u>45,012,686</u>	<u>1,979,640,640</u>	<u>44,522,970</u>
Schedule III				
Minority Interest (Refer Note No.11)				
Balance brought forward	<u>3,232,989</u>	<u>84,906</u>	<u>2,587,769</u>	<u>70,270</u>
Add: Share of minority interest for the year	<u>166,424</u>	<u>3,696</u>	<u>645,220</u>	<u>14,636</u>
	<u>3,399,413</u>	<u>88,602</u>	<u>3,232,989</u>	<u>84,906</u>
Schedule IV				
Secured Loans				
a) Bank Borrowings	<u>180,364,043</u>	<u>4,177,995</u>	<u>107,581,602</u>	<u>2,420,284</u>
b) Term Loan from Banks	<u>502,229,452</u>	<u>11,633,761</u>	<u>501,656,165</u>	<u>11,285,853</u>
c) Hire Purchase Loans	<u>2,212,901</u>	<u>51,260</u>	<u>4,244,632</u>	<u>95,492</u>
[For security details, refer Note No. 2]	<u>684,806,396</u>	<u>15,863,016</u>	<u>613,482,399</u>	<u>13,801,629</u>
Schedule V				
Unsecured Loans				
From Banks	<u>515,474,658</u>	<u>11,940,576</u>	<u>665,425,090</u>	<u>14,970,193</u>
Others	<u>455,396,250</u>	<u>10,548,905</u>	<u>195,556,250</u>	<u>4,399,466</u>
[For security details, refer Note No. 2]	<u>970,870,908</u>	<u>22,489,481</u>	<u>860,981,340</u>	<u>19,369,659</u>

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

Schedule VI
Fixed Assets

Asset Description	Gross Block						Depreciation Block						Net Block			
	As at 01.04.2006		As at 31.03.2007		As at 01.04.2006		As at 31.03.2007		As at 01.04.2006		As at 31.03.2007		As at 01.04.2006		As at 31.03.2007	
	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD	Rs.	USD
Goodwill	994,505,931	22,373,653	994,505,931	23,037,041	-	-	994,505,931	22,373,653	994,505,931	22,373,653	994,505,931	23,037,041	-	-	994,505,931	23,037,041
Land	117,819,601	2,650,610	117,819,601	2,729,201	-	-	117,819,601	2,650,610	117,819,601	2,729,201	117,819,601	2,729,201	-	-	117,819,601	2,729,201
Building	187,069,726	3,750,599	187,069,726	3,870,042	51,388,489	1,155,646	187,069,726	3,870,042	51,388,489	1,155,646	187,069,726	3,870,042	51,388,489	1,155,646	187,069,726	3,870,042
Plant & Machinery	365,508,626	8,222,915	365,508,626	8,190,184	277,169,430	6,235,510	365,508,626	8,190,184	277,169,430	6,235,510	365,508,626	8,190,184	277,169,430	6,235,510	365,508,626	8,190,184
- EDP	161,415,813	3,631,433	161,415,813	4,094,198	100,000,950	2,349,808	161,415,813	4,094,198	100,000,950	2,349,808	161,415,813	4,094,198	100,000,950	2,349,808	161,415,813	4,094,198
- Software	39,019,422	877,827	39,019,422	903,855	23,504,393	528,783	39,019,422	903,855	23,504,393	528,783	39,019,422	903,855	23,504,393	528,783	39,019,422	903,855
- Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Technology Platform	710,701,514	15,988,787	710,701,514	17,869,921	217,161,624	4,885,526	710,701,514	17,869,921	217,161,624	4,885,526	710,701,514	17,869,921	217,161,624	4,885,526	710,701,514	17,869,921
Product Software	724,893,963	10,300,076	724,893,963	19,640,331	100,000,000	2,251,047	724,893,963	19,640,331	100,000,000	2,251,047	724,893,963	19,640,331	100,000,000	2,251,047	724,893,963	19,640,331
Furniture	110,895,985	2,494,847	110,895,985	2,611,054	63,933,490	1,438,324	110,895,985	2,611,054	63,933,490	1,438,324	110,895,985	2,611,054	63,933,490	1,438,324	110,895,985	2,611,054
- Office Equipments	24,190,348	544,215	24,190,348	564,231	13,097,870	294,858	24,190,348	564,231	13,097,870	294,858	24,190,348	564,231	13,097,870	294,858	24,190,348	564,231
Electrical Items	98,791,273	2,222,536	98,791,273	2,328,441	44,088,650	992,051	98,791,273	2,328,441	44,088,650	992,051	98,791,273	2,328,441	44,088,650	992,051	98,791,273	2,328,441
Vehicles	8,411,794	189,242	8,411,794	182,461	1,368,784	29,443	8,411,794	182,461	1,368,784	29,443	8,411,794	182,461	1,368,784	29,443	8,411,794	182,461
Total	3,623,226,976	79,262,699	3,623,226,976	87,499,771	691,702,399	20,060,796	3,623,226,976	87,499,771	691,702,399	20,060,796	3,623,226,976	87,499,771	691,702,399	20,060,796	3,623,226,976	87,499,771
Previous Year	3,219,210,679	73,794,343	3,219,210,679	79,262,699	301,910,155	16,087,767	3,219,210,679	79,262,699	301,910,155	16,087,767	3,219,210,679	79,262,699	301,910,155	16,087,767	3,219,210,679	79,262,699

Notes: 1. Gross Block includes vehicles (Car) acquired under Hire Purchase Rs.5,595,801/- (USD 126,616) (Previous year Rs.6,969,915 (USD 156,761))

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

Gross Block Rs. (1,026,209) USD 2,326,338 (Previous Year - (Rs. 320,552) USD (1,368,542))

Depreciation Block Rs. (760,156) USD 1,700,389 (Previous Year - (Rs. 259,169) USD (578,843))

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

Schedule VII Investments	As at 31.03.2007		As at 31.03.2006	
	Rs.	USD	Rs.	USD
Trade -Unquoted:				
5,000 shares of face value of CHF 10 each in Triamun Ramco Healthcare Systems Ltd., Switzerland	-	-	4,140,384	93,147
300 shares of face value ZAR 1 each in Redlex 47 (Pty) Limited, South Africa	6,474,842	149,985	12,942,169	291,162
Non-Trade -Unquoted:				
Investments In Mutual Funds-Short Term (34.191 units purchased under Standard Chartered Liquidity Manager Plus - Daily Dividend Plan) (Previous Year 581,093.787 units purchased under Standard Chartered Liquidity Manager - Daily Dividend Plan)	34,194	792	5,811,519	130,743
	<u>6,509,036</u>	<u>150,777</u>	<u>22,894,072</u>	<u>515,052</u>
Schedule VIII Inventories				
Resale Hardware & Software Materials (Valued at Cost or Net realisable value whichever is lower and as certified by management)	21,751,756	503,863	20,850,468	469,077
Schedule IX Sundry Debtors				
(Unsecured)				
a) Debts Outstanding for period exceeding six months	127,038,436	2,942,749	122,282,409	2,751,010
Less: Provision for Bad & Doubtful Debts	(13,138,169)	(304,336)	(14,054,246)	(316,181)
	<u>113,900,267</u>	<u>2,638,413</u>	<u>108,228,163</u>	<u>2,434,829</u>
b) Other debts considered good	686,360,819	15,899,023	767,198,808	17,259,816
	<u>800,261,086</u>	<u>18,537,436</u>	<u>875,426,971</u>	<u>19,694,645</u>
Schedule X Cash and Bank Balances				
Cash on hand	516,447	11,963	1,493,102	33,591
<u>Balances with Scheduled Banks in</u>				
a) Current Accounts	74,582,201	1,727,640	33,625,549	756,480
b) Deposit Accounts	3,552,259	82,285	141,001,000	3,172,126
<u>Balances with Other Banks in Current Account</u>				
Fleet Bank, USA	41,318,733	957,117	77,091,033	1,734,331
UBS AG, Switzerland	3,523,886	81,628	3,658,153	82,298
Credit Suisse, Switzerland	388,493	8,999	506,214	11,388
ABN Amro Bank, Singapore	6,920,081	160,298	19,529,871	439,367
Bumiputra Commerce Bank Berhad, Malaysia	11,726,947	271,646	8,021,272	180,456
ABN Amro Bank Berhad, Malaysia	7,804,871	180,794	5,958,593	134,052
Bank of Baroda, South Africa	12,671,436	293,524	2,170,308	48,826
The Standard Bank, South Africa	4,962,830	114,960	238,148	5,358
<u>Balances with Other Banks in Deposit Account</u>				
Fleet Bank, USA	156,597	3,627	160,428	3,609
	<u>168,124,781</u>	<u>3,894,481</u>	<u>293,453,671</u>	<u>6,601,882</u>

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

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

Schedule XI	As at 31.03.2007		As at 31.03.2006	
Loans and Advances	Rs.	USD	Rs.	USD
(Unsecured, Considered Good)				
Advance recoverable in Cash or kind or for value to be received	70,403,433	1,630,842	85,350,623	1,920,149
Tax deducted at Source	28,300,317	655,555	35,525,832	799,232
Deposits with Government Departments and Others	11,686,020	270,698	28,564,782	642,627
Advance Tax	1,726,121	39,984	-	-
(Unsecured, Considered doubtful)				
Advance recoverable in Cash or kind or for value to be received	1,113,408	25,791	567,211	12,761
Less: Provision for doubtful advances	(1,113,408)	(25,791)	(567,211)	(12,761)
	<u>112,115,891</u>	<u>2,597,079</u>	<u>149,441,237</u>	<u>3,362,008</u>
Schedule XII				
Other Current Assets				
Prepaid expenses	23,763,529	550,463	29,559,801	665,013
Interest Accrued	205,561	4,762	871,371	19,603
Work in Progress	28,474,396	659,588	2,611,703	58,756
	<u>52,443,486</u>	<u>1,214,813</u>	<u>33,042,875</u>	<u>743,372</u>
Schedule XIII				
Current Liabilities				
For Purchases	183,854,075	4,258,839	202,791,147	4,562,231
For Expenses	403,285,161	9,341,792	384,631,411	8,653,125
Interest accrued but not due on loans	5,424,822	125,662	1,602,740	36,057
	<u>592,564,058</u>	<u>13,726,293</u>	<u>589,025,298</u>	<u>13,251,413</u>
Schedule XIV				
Provisions				
Provision for Taxation	7,236,507	167,628	7,357,592	165,525
Provision for staff benefit schemes	46,981,644	1,088,294	32,489,242	730,917
	<u>54,218,151</u>	<u>1,255,922</u>	<u>39,846,834</u>	<u>896,442</u>
Schedule XV				
Miscellaneous Expenditure				
Preliminary Expenses	-	-	32,000	720
Schedule XVI				
Profit & Loss Account				
Balance brought forward from Profit & Loss account	597,177,843	13,387,503	214,826,394	4,895,598
Less: Equity in Earnings /(Losses) of Affiliates-2002-03	(1,364,139)	(29,703)	(1,364,139)	(29,703)
	<u>595,813,704</u>	<u>13,357,800</u>	<u>213,462,255</u>	<u>4,865,895</u>

**SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2007**

Schedule XVII	Year Ended 31.03.2007		Year Ended 31.03.2006	
	Rs.	USD	Rs.	USD
Schedule XVII				
Sales				
Software Solutions & Services	2,135,237,362	47,422,952	2,017,331,078	45,759,602
Value Added Resale Software & Hardware Materials	491,477,576	10,915,563	565,509,186	12,827,579
Others	40,317,066	895,429	28,963,198	656,979
	<u>2,667,032,004</u>	<u>59,233,944</u>	<u>2,611,803,462</u>	<u>59,244,160</u>
Schedule XVIII				
Other Income				
Dividend from Mutual Fund units	1,972,675	43,813	111,519	2,530
Interest Received	7,768,549	172,537	6,233,006	141,385
Profit on sale of assets	1,085,071	24,099	1,258,607	28,549
Foreign Exchange Fluctuation	-	-	4,655,570	105,603
Miscellaneous Income	42,329,609	940,127	24,582,611	557,613
	<u>53,155,904</u>	<u>1,180,576</u>	<u>36,841,313</u>	<u>835,680</u>
Schedule XIX				
Employee Compensation & Benefits				
Salaries, Bonus etc.,	1,354,794,505	30,089,561	1,214,282,384	27,543,856
Gratuity & Superannuation Fund Contributions	71,198,338	1,581,293	60,839,233	1,380,031
Provident Fund & other Suatutory Contributions	26,824,509	595,764	24,831,743	563,264
Staff Welfare	161,176,898	3,579,688	141,288,948	3,204,891
	<u>1,613,994,250</u>	<u>35,846,306</u>	<u>1,441,242,308</u>	<u>32,692,042</u>
Schedule XX				
Sales & Marketing Expenses				
Advertisement & Sales Promotion	107,264,127	2,382,303	139,618,333	3,166,996
Handling, Packing, Forwarding and Others	2,343,195	52,041	1,269,176	28,789
	<u>109,607,322</u>	<u>2,434,344</u>	<u>140,887,509</u>	<u>3,195,785</u>
Schedule XXI				
Administrative & Other Expenses				
Consultancy Charges	64,618,289	1,435,152	65,041,971	1,475,363
Bank Charges	5,329,022	118,356	6,654,548	150,947
Insurance	9,216,312	204,691	16,108,342	365,389
Loss on sale of fixed assets	812,291	18,040	1,144,051	25,951
Communication Expenses	39,353,902	874,038	40,112,195	909,874
Power & Fuel	15,975,590	354,813	14,973,918	339,657
Printing & Stationery	7,568,773	168,100	8,515,039	193,149
Rates & Taxes	8,830,509	196,123	20,871,145	473,425
Rent	89,244,812	1,982,099	83,680,015	1,898,134
Repairs - Buildings	4,447,457	98,777	1,592,960	36,133
Repairs - Plant & Machinery	13,829,378	307,146	12,875,713	292,063
Repairs - Others	8,497,103	188,718	10,944,467	248,256
Travel & Conveyance	227,548,444	5,053,780	164,163,547	3,723,761
Bad Debts Written off	28,664,020	636,619	20,160,097	457,296
Provision for Doubtful Debts	(4,152,335)	(92,222)	(5,131,206)	(116,392)
Provision for Doubtful advances	546,197	12,131	-	-
Foreign Exchange Fluctuation	5,604,814	124,481	-	-
Miscellaneous Expenses	44,129,235	980,096	43,228,187	980,555
	<u>570,063,813</u>	<u>12,660,938</u>	<u>504,934,989</u>	<u>11,453,561</u>
Schedule XXII				
Interest & Finance Charges				
Fixed Loans	1,291,709	28,688	4,130,238	93,687
Hire Purchase & Finance Charges	591,782	13,144	2,326,018	52,762
Others	127,940,932	2,841,528	123,164,661	2,793,773
	<u>129,824,423</u>	<u>2,883,360</u>	<u>129,620,917</u>	<u>2,940,222</u>

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

Schedule XXIII

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), its Subsidiaries and Affiliates as given below:

S.No.	Name	Country	% holding	Year ending on
Subsidiaries				
1	Ramco Systems Corporation	USA	98%	31 st March
2	Ramco Systems Limited	Switzerland	100%	31 st March
3	Ramco Systems Sdn. Bhd.	Malaysia	100%	31 st March
4	Ramco Systems Pte. Ltd.	Singapore	100%	31 st March
5	RSL Enterprise Solutions (Pty) Limited	South Africa	100%	31 st March
6	Ramco Infotech Solutions Limited	Chennai	100%	31 st March
Affiliate				
1	Redlex 47 (Pty) Limited	South Africa	30%	28 th February

During the year, the investment in the Affiliate, Triamun Ramco Healthcare Systems Limited, Switzerland has been divested.

1. Contingent Liabilities

	As at 31.03.2007 (Rs. in thousands)	As at 31.03.2007 (USD million)	As at 31.03.2006 (Rs. in thousands)	As at 31.03.2006 (USD million)
(a) Estimated amount of contracts remaining to be executed on capital account	17,678	0.41	14,653	0.33
(b) Bank Guarantees	29,450	0.68	57,267	1.29
(c) Letters of Credit	26,893	0.62	1,050	0.02
(d) Corporate guarantee furnished by the Company to UTI Bank Ltd., for its Subsidiary, Ramco Infotech Solutions Ltd. to support their credit facilities	130,000	3.01	Nil	Nil

The Company has provided a corporate guarantee to its subsidiary, Ramco Systems Ltd., Switzerland, undertaking to meet all liabilities that may arise to the subsidiary pursuant to a claim against it by one of its customer. In view of the ongoing negotiations between the subsidiary and the customer in this regard, the liability to the Company, if any, that may arise is not quantifiable.

2. Secured and Unsecured Loans

Ramco Systems Limited, India

Borrowings from the banks for working capital amounting to Rs.30,000 thousands (USD 0.69 million) (Previous year Rs.30,000 thousands (USD 0.67 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.120,364 thousands (USD 2.79million) (Previous year Rs.10,907 thousands (USD 0.25 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.

Borrowings from UTI Bank Limited (Under Banks) amounting to Rs.252,229 thousands (USD 5.84 million) (Previous year Rs.251,656 thousands (USD 5.66 million)) are secured by subservient charge on current assets including stocks and book debts and supported by a corporate guarantee from Madras Cements Limited.

Borrowings from Federal Bank Limited (Under Banks) amounting to Rs.250,000 thousands (USD 5.79 million) (Previous year Rs.250,000 thousands (USD 5.62 million)) are secured by first charge by way of equitable mortgage on land & building and movable fixed assets located at No.64, Sardar Patel Road, Taramani, Chennai.

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

Of the total unsecured loans of Rs.965,475 thousands (USD 22.36 million) (Previous year Rs.855,425 thousands (USD 19.24 million)) Rs.615,050 thousands (USD 14.25 million) (Previous year Rs.575,050 thousands (USD 12.94 million)) are supported by a Corporate Guarantee from Madras Cements Limited and Rs.150,425 thousands (USD 3.48 million) (Previous year Rs.250,375 thousands (USD 5.63 million)) are supported by a Corporate Guarantee from Ramco Industries Limited.

Ramco Systems Corporation, USA

Borrowings from banks amounting to Rs. Nil (USD Nil) (Previous Year Rs. 66,675 thousands (USD 1.50 million)) were secured by cash deposits of Ramco Systems Limited, India.

Ramco Infotech Solutions Limited, India

Borrowings from UTI Bank Ltd for working capital facility amounting to Rs.30,000 thousands (USD 0.69 million) (Previous year Nil) are secured by way of first charge on entire current assets including stocks and book debts and fixed assets of the company and by a Corporate Guarantee from Ramco Systems Limited, the holding company.

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3. Taxation

Ramco Systems Limited, India

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

RSL Enterprise Solutions (Pty) Limited, South Africa and Ramco Systems Pte. Limited, Singapore

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

Ramco Infotech Solutions Limited, India

No provision for current tax for the Company other than Fringe Benefit Tax has been made in view of absence of taxable profits.

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-Ramco Systems Limited, 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:

	Year ended 31.03.2007		Year ended 31.03.2006	
	(Rs. in thousands)	(USD Million)	(Rs. in thousands)	(USD Million)
Total research & development expenditure capitalized during the year, as per Schedule 5 to R&D Accounts	183,722	4.26	243,900	5.49
of the above,				
Shown as "Technology Platform" under Fixed Assets	60,743	1.41	80,765	1.82
Shown as "Product Software" under Fixed Assets	122,979	2.85	163,135	3.67

6. Equity and Share Premium

Ramco Systems Limited, India:

The Board of Directors of the Company in its meeting held on 27th May, 2006 have approved the annulment of forfeiture in respect of 25 equity shares, issued under Rights Issue, 2003. Consequent to the said annulment, the paid up capital of the company has increased as below:

Movement in share capital and share premium is given below: (Rs. in thousands)

	Share capital	Share premium
Opening balance	153,919	1,942,493
Reissue of 25 forfeited shares by way of annulment (Rights Issue 2003)	-	3
Closing Balance	153,919	1,942,496

7. Earnings per share [EPS]

		2006-2007		2005-2006	
Profit/(Loss) after tax	(A)	Rs.(376,844,882)	USD(8,369,607)	Rs.(236,646,932)	USD(5,367,920)
Weighted Average Equity shares outstanding (Nos.)	(B)	15,356,482	15,356,482	12,739,817	12,739,817
EPS-Basic & Diluted (per share of Rs.10/- each)	(A/B)	Rs.(24.54)	USD(0.55)	Rs.(18.58)	USD(0.42)

8. Proportionate equity in the earnings of the Affiliate Redlex 47 (Pty) Limited for the year Mar 2006-Feb 2007 is recognized in the Profit and Loss Account.

9. Related Party Transactions:

As per Accounting Standard 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	Particulars	Group (Rs.)	Group (USD)	KMP (Rs.)	KMP (USD)
Loans availed	Transaction during the year	375,000,000	86,86,588	-	-
	Outstanding as on 31.03.07	200,000,000	4,632,847	-	-
Interest Expense	Transaction during the year	7,944,110	176,436	-	-
	Outstanding as on 31.03.07	-	-	-	-
Sale of goods & services	Transaction during the year	78,596,491	1,745,603	-	-
	Outstanding as on 31.03.07	63,690,787	1,475,348	-	-
Previous Year					
Loans availed	Transaction during the year	393,000,000	8,841,395	-	-
	Outstanding as on 31.03.06	30,000,000	674,916	-	-
Loans given	Transaction during the year	240,000,000	5,399,325	-	-
	Outstanding as on 31.03.06	-	-	-	-
Interest	Expenses	8,187,944	185,714	-	-
	Income	1,207,726	27,395	-	-
Sale of goods & services	Transaction during the year	29,036,309	653,235	-	-
	Outstanding as on 31.03.06	15,872,911	355,971	-	-
Rights Issue	Transaction during the year	319,266,570	7,182,600	41,577,480	935,376

Notes : a) The above transactions were done in the ordinary course of business and at commercial rates.
b) Details of Corporate Guarantees given by group are given in Note No. 2.

10. Segment 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:

Software Solutions and Services

Engaged in the development, licensing, implementation and maintenance of software solutions and engaged in providing professional services and implementing projects.

Secure Converged Networking

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.

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

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

Segment Revenue - Primary Segments

	For the year ended			
	March 31, 2007		March 31, 2006	
	(Rs. in thousands)	(USD Million)	(Rs. in thousands)	(USD Million)
1. Segment Revenue				
Software Solutions and Services	2,088,267	46.39	2,045,343	46.39
Secure Converged Networking	578,765	12.84	566,460	12.85
Total	2,667,032	59.23	2,611,803	59.24
Less: Inter Segment Revenue	-	-	-	-
Net Sales / Income from Operations	2,667,032	59.23	2,611,803	59.24
2. Segment Profit / (Loss) before interest and tax				
Software Solutions and Services	166,092	3.69	290,480	6.59
Secure Converged Networking	1,550	0.03	17,738	0.40
Total	167,642	3.72	308,218	6.99
Less: Interest	129,824	2.88	129,621	2.94
Less: Other unallocable expenditure net of unallocable income	394,664	8.77	393,160	8.93
Less: Provision for Taxation	19,869	0.44	32,280	0.73
Less: Minority Interest	166	-	645	0.01
Add: Equity in Earnings /(Losses) of affiliates	36	-	10,841	0.25
Profit/(Loss) after Tax	(376,845)	(8.37)	(236,647)	(5.37)

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, New Zealand 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 31ST MARCH, 2007

Particulars	India & Middle East		Africa		Asean		Europe		America		Total	
	(Rs. in thousands)	(USD Min.)	(Rs. in thousands)	(USD Min.)	(Rs. in thousands)	(USD Min.)	(Rs. in thousands)	(USD Min.)	(Rs. in thousands)	(USD Min.)	(Rs. in thousands)	(USD Min.)
Segment Revenue												
Software Solutions and Services	773,263	17.17	276,411	6.14	150,314	3.34	218,873	4.86	1,025,824	22.79	2,444,685	54.30
Secure Converged Networking	542,536	12.05	-	-	37,442	0.83	-	-	17,626	0.38	597,604	13.26
Total Revenue	1,315,799	29.22	276,411	6.14	187,756	4.17	218,873	4.86	1,043,450	23.17	3,042,289	67.56
Less: Inter Segment Revenue	366,226	8.13	-	-	-	-	8,850	0.20	181	-	375,258	8.33
Net Sales / Income from Operations	949,573	21.09	276,411	6.14	187,756	4.17	210,023	4.66	1,043,269	23.17	2,667,032	59.23

SECONDARY SEGMENT REPORTING FOR THE YEAR ENDED 31ST MARCH, 2006

Particulars	India & Middle East		Africa		Asean		Europe		America		Total	
	(Rs. in thousands)	(USD Min.)	(Rs. in thousands)	(USD Min.)	(Rs. in thousands)	(USD Min.)	(Rs. in thousands)	(USD Min.)	(Rs. in thousands)	(USD Min.)	(Rs. in thousands)	(USD Min.)
Software Solutions and Services-	632,183	14.34	363,333	8.24	142,699	3.24	300,570	6.81	908,946	20.62	2,347,721	53.25
Secure Converged Networking	542,635	12.31	-	-	23,825	0.54	-	-	-	-	566,460	12.85
Total Revenue	1,174,818	26.65	363,333	8.24	166,514	3.78	300,570	6.81	908,946	20.62	2,914,181	66.10
Less: Inter Segment Revenue	302,378	6.86	-	-	-	-	-	-	-	-	302,378	6.86
Net Sales / Income from Operations	872,440	19.79	363,333	8.24	166,514	3.78	300,570	6.81	908,946	20.62	2,611,803	59.24

Inter segment revenues represent the value of services rendered by the Company / its subsidiaries to its subsidiaries / fellow subsidiaries.

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. 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.

13. 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 **CNGSN & Associates**
Chartered Accountants

C.N. GANGADARAN
Partner

P.R. RAMASUBRAHMANEYA RAJHA
Chairman

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

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

M.M. VENKATACHALAM

Place : Chennai
Date : 30th May, 2007

SUBRAMANIAN NARAYAN
Company Secretary

V. JAGADISAN
Directors

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