



DELIVERING CUSTOMER DELIGHT



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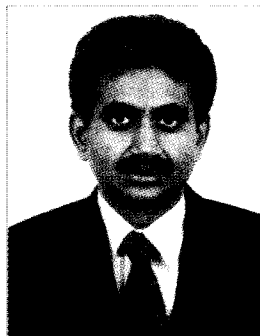
Ramco Systems Limited, India

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■■■■ Letter to Shareholders



P. R. Ramasubrahmaneya Rajha



P. R. Venketrama Raja

Dear Shareholders,

We are delighted to share with you the achievements of your company for the financial year 2005-06. The year has witnessed the company reaching many significant milestones, the most notable one being recognized as the No. 1 company for customer satisfaction, in the Enterprise Solutions market by Dataquest-IDC for the second time in a row. This is a repeat endorsement of Ramco's dedicated focus in delivering customer satisfaction, through enduring software assets built using innovative technology.

Over the year, your company has been single-mindedly focusing on further enhancing the capabilities of Ramco VirtualWorks® – Ramco's proven industry-strength solution assembly and delivery platform. The platform has been enabled to leverage business opportunities in transforming legacy applications onto a Service Oriented Architecture. This focused investment is yielding positive results and during the year, the company has made successful inroads into new markets, new verticals and new business relationships.

During the year, many strategic projects on Ramco VirtualWorks supporting multiple technology platforms at global customer locations have gone LIVE. At the end of the year, close to eighty projects built and delivered on this platform are under various stages of implementation. Many of these projects are already LIVE and customers are reaping the promised benefits. Some of these customers have already placed multiple repeat orders, signifying the trust they repose on the benefits delivered by Ramco VirtualWorks.

Your company has further expanded its global presence with order wins in New Zealand, Qatar and South Korea. Several strategic projects in eGovernance, Aviation MRO, Manufacturing and BFSI are underway across the globe. These projects are expected to bring sustained revenues over the years.

The Aviation business has witnessed positive momentum during the year. The business has won multiple million-dollar deals and the company has signed up a global partnership alliance with Sabre Airline Products and Solutions. These initiatives are driving Ramco's Aviation and MRO software to rapidly become the leading global brand in pure web, component and business process centric Aviation Software.

Ramco's Performance management solution, Ramco DecisionWorks won several customers from eGovernance, Banking and Manufacturing segments. The best managed municipality in South Africa and third largest bank in South Africa are examples of customers who leveraged the power of Ramco DecisionWorks for improved performance and service delivery. The Secure Converged Networking Solutions business won several orders from Telecom, PSUs and Manufacturing verticals. Protecting the IT infrastructure of India's largest automobile manufacturer and enabling secure access to hundreds of its dealers across the country is enabled by Ramco.

Alliances and partnerships are the way forward for faster penetration and your company has invested in several partnerships across business offerings in most of the countries where it operates.

The company has completed a detailed exercise to evaluate the potential and feasibility of offering ERP software as a service. This initiative is driven by a dedicated team under my direct supervision and the company expects to launch its software offerings as a service in the next fiscal.

Several task forces across the organization worked in creating Excellence in Delivery. During the year, we moved up further and have now been successfully certified as a SEI CMMI - SW Level 5 company. We have commenced the P-CMM (People Capability Maturity Model) that helps us to integrate work force improvement with software improvement programmes guided by CMMI.

During this period, the company achieved USD 59.24 million in global revenues across all its business lines and international subsidiaries, registering a growth of 21% over the previous year.

Warm Regards,



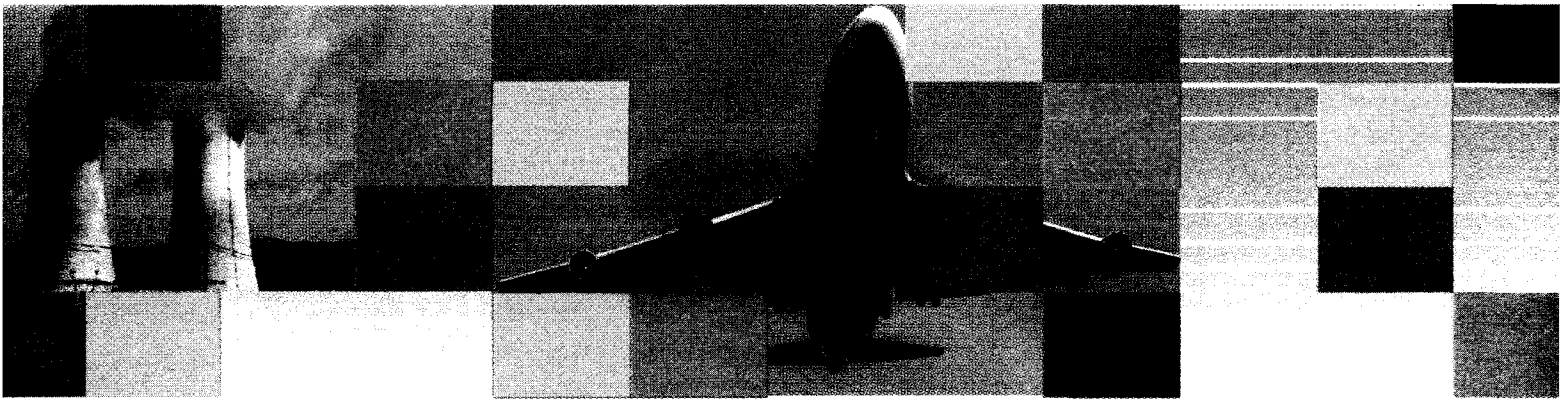
P.R. Ramasubrahmaneya Rajha
Chairman



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

Ramco's dedicated focus in delivering customer delight has positioned the company for an aggressive phase of growth enabled by strong partnerships and quality processes.

■■■■ Corporate Theme



Customer Delight

The dedicated focus of Ramco in delivering customer delight through enduring software assets built using innovative technology, has been acknowledged by its customers. The company has been **ranked No. 1 for customer satisfaction** in the Enterprise Solutions market in the Dataquest-IDC survey for the second time in a row.

The company's innovative Software assembly and delivery platform - Ramco VirtualWorks received global acceptance and endorsement as a superior alternative to conventional approaches. Several customers reaped the benefits of Ramco's adaptive solutions and many of them have already placed multiple repeat orders, signifying the trust they repose on the benefits delivered by Ramco VirtualWorks.



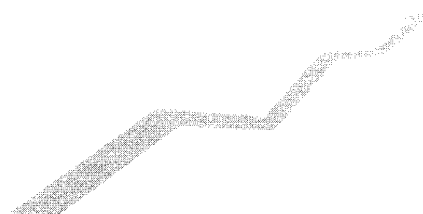
Aggressive Growth

With Ramco VirtualWorks being proven and acknowledged globally, the company is well positioned to tap global opportunities across a wide spectrum of verticals.

The company has won **million dollar deals** in the Aviation, Manufacturing, eGovernance and BFSI verticals. During the year, the company expanded its footprint into new countries that include New Zealand, Qatar and South Korea.

India operations added 41 new customers across Manufacturing, Auto ancillaries and other verticals. Close to eighty projects built and delivered on the Ramco VirtualWorks platform are under various stages of implementation. Many of these projects are already LIVE and customers are reaping the promised benefits.

The company is poised for aggressive and profitable growth in the coming years.



Global Partnerships

Partnerships & Alliances are the way forward to **expand the company's reach and penetrate the global markets** effectively.

The strategy of investing in business partners to increase penetration and success in the growing business (Small & Medium business) segment in India and Middle East has been very successful.

We have entered into a global partnership alliance with Sabre Airline Products and Solutions from Southlake, Texas. Sabre sells and implements Ramco's entire suite of Aviation and MRO Software Applications to *augment their complementary Airline, passenger, reservations and revenue systems*. The global alliance has won significant deals and the pipeline for future orders is very encouraging.

We have entered into alliances with a few international market leaders in their respective businesses and these are expected to bring sustained revenues for the company.

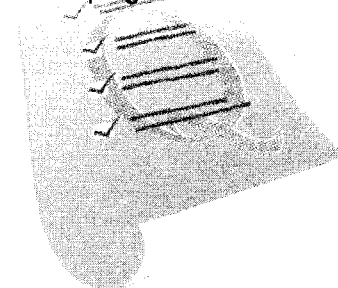


Quality Focus

Ramco firmly believes that pursuit of excellence in Quality is a journey rather than an end. The key characteristics of solutions delivered using Ramco VirtualWorks are **Reliability, Speed and Flexibility**.

The model-based architecture of Ramco VirtualWorks ensures that solutions built and delivered are reliable, possess high flexibility to adapt and are delivered faster than conventional approaches. These solutions manage business complexities with ease and have a very low rate of software errors due to minimal manual intervention.

Ramco Systems has successfully achieved the SEI CMMI - SW Level 5 certification, a rare distinction enjoyed by very few IT Product and Technology companies worldwide. We have also commenced the P-CMM initiative (People Capability Maturity Model) that helps integrate work force improvement with software improvement programmes.





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.

 **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

Ramco Systems Limited, India

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Ninth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2006.

Financial Results

(In Rs.Million)

Description	For the Year ended 31 st March, 2006	For the Year ended 31 st March, 2005
Net Sales/Income from Operations	1174.68	1154.81
Other Income	43.33	73.01
Total Income	1218.01	1227.82
Expenditure		
- Cost of Resale Material	386.32	314.90
- Staff Cost	604.37	543.13
- Sales & Marketing Expenses	17.66	30.46
- Administration & Other Expenses	233.64	184.31
Total Expenditure	1241.99	1072.80
Earnings before Interest, Depreciation & Tax	(23.98)	155.02
Interest	125.43	113.81
Depreciation	183.07	169.83
Extraordinary Expenses	-	274.98
Profit / (Loss) Before Tax	(332.48)	(403.60)
Provision for Taxation	8.20	-
Profit/(Loss) After tax	(340.68)	(403.60)

BUSINESS OPERATIONS OVERVIEW

This year the Company has further consolidated the early mover advantage and scaled new heights. The Company's proprietary, innovative Software assembly and delivery platform - Ramco VirtualWorks, received global acceptance and endorsement as a superior alternative to conventional approaches. Several customers reaped the benefits of Ramco's adaptive solutions such as faster time to market, a more robust solution addressing their specific needs, at a very competitive total cost of ownership; also, they were delighted to be in complete control of the solution development process.

During the year, many strategic projects on Ramco VirtualWorks supporting multiple technology platforms at global Customer locations have gone LIVE. At the end of the year, close to eighty projects built and delivered on this platform are under various stages of implementation. Many of these projects are already LIVE and Customers are reaping the promised benefits.

The collaborative framework offered by Ramco VirtualWorks helped enterprises to jointly develop domain-rich solutions that address their best, unique and next practices. The year also witnessed Ramco entering into a few strategic alliances with global leaders for specific business opportunities. Significant among them are the partnership with Sabre for Aviation and MRO software and an agreement with a leading outsource Customer Management Solutions Company to enhance BPO business.

The year also witnessed Ramco venturing into new countries with confirmed orders such as New Zealand and South Korea. The Company was successfully assessed at SEI CMMI - SW Level 5 by KPMG during the year 2005-06. The Company continues to enjoy the Gold Certified Partner status of Microsoft.

Global Revenues of Ramco Systems Limited, including its international subsidiaries in USA, Switzerland, Singapore, Malaysia, South Africa and branch offices in UAE, UK and Germany registered USD 59.24 million, recording a 21% growth over the previous fiscal (2004-05).

GLOBAL OPERATIONS

Our India Operations registered revenues of Rs.117.47 crores, and added 41 new customers across Manufacturing, Auto ancillaries and other verticals. During the year, we were ranked No.1 for the second consecutive time in the Customer Satisfaction Audit survey conducted by DataQuest-IDC for Enterprise Solutions. This is a big endorsement of what Ramco always believes in - delighting its customers by offering superior and innovative software assets.

Our BFSI practice continued to win repeat orders for banking applications from a large multi-national financial services company. Ramco DecisionWorks expanded its presence in India with order wins from mining/ore-logistics company and a petroleum refinery. The Process Optimization business has successfully delivered a cement plant simulation package for the National Council for Cement and Building Materials at Hyderabad.

Our Secure Converged Networking business continued to consolidate its position as a leading Systems Integrator. Some of the Networking orders won during the year include Implementation of a Data Network for a government GSM provider, complete LAN solutions for various government institutions, creating a disaster recovery site and setting up regional hubs for one of India's biggest stock exchange and providing voice compression equipment for a leading private GSM backbone spread across 60 locations. The Information Security business won many big orders, the most significant being the mandate to protect the IT infrastructure of India's largest automobile manufacturer and enabling secure access to hundreds of its dealers across the country.

Our North American operations achieved significant breakthroughs for adaptive enterprise solutions in the BFSI, Manufacturing and Aviation spaces. We have won million dollar deals from a leading bank, a startup low-cost airline, an airborne healthcare Company and a full line metal service center to name a few. Ramco US has also delivered two successful pilot projects with one of the world's biggest IT Manufacturing company. This is expected to open up a host of opportunities in the next fiscal.

In Europe, we provided Aviation, Manufacturing, Logistics, Performance Management, Healthcare Management, Public Services and MIS solutions to leading companies. During the year, Ramco Europe ventured into Holland to offer solutions to a leading branded food producer focusing on core categories such as Fruit based Products, Cereals and Infant Nutrition. The year also gave Ramco its first eGovernance order in Switzerland.

Our ASEAN operations delivered multiple enterprise solutions to customers in the BPO, Aviation, Human Resources Management and Process Manufacturing segments. During the year, Ramco ASEAN captured new territories with order wins from New Zealand and South Korea. Payroll Outsourcing continues to be a key driver in this market and Ramco has entered into a strategic partnership with a leading BPO player in this space.

Our investments in UAE have started yielding positive results. During the year, we have won orders in the Aviation MRO, Cable manufacturing and Cement verticals. More than 10 partners have been signed to accelerate the penetration and reach in this region.

We have further consolidated our engagements in South Africa resulting in significant order wins for developing eGovernance Solutions. Eleven eGovernance projects, delivered on Ramco VirtualWorks are at various stages of execution. Ramco DecisionWorks - Ramco's Performance Management Solution has been successfully deployed and has gone LIVE in multiple service areas of a municipality.

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. 47/129/2006-CL-III dated 24th March, 2006, have granted their approval under Section 212 (8) of the Companies Act, 1956, exempting from attaching the full text of the financial statements of the Company's 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 the Company's accounts for the year ended 31st March, 2006.

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.

TRANSFER OF SECURED CONVERGED NETWORKING DIVISION OF THE COMPANY

The Board of Directors of the Company, subject to the approval of the Shareholders, have in its meeting held on 27th May, 2006, approved the transfer of the Secured Converged Networking (SCN division) to a wholly owned subsidiary of the Company, M/s. Ramco Infotech Solutions Limited (RITS), with effect from such a date and for such a consideration, not less than the Net Book Value of the Assets on the date of the transfer and in such mode of settlement of consideration as may be determined by the Board or the Committee of the Board.

The Postal Ballot Notice, Postal Ballot Form along with the Resolution and the Explanatory Statement relating thereto and the postage paid business reply envelope will be despatched to the Shareholders as required under the provisions of Section 192A of the Companies Act, 1956, and the Rules made thereunder.

INCREASE IN THE EQUITY SHARE CAPITAL

Increase in the Authorised Share Capital

Considering the then proposed Rights Issue and other requirements, the members of the Company have at the Extraordinary General Meeting held on 22nd July, 2005, approved an increase in the Authorised Share Capital of the Company from Rs. 15 crores to Rs. 30 crores and also approved the related amendments to the Memorandum and Articles of Association of the Company.

Rights Issue

During the year under review, your Company has successfully completed in its Rights Issue of 3,070,757, equity shares of Rs.10/- each at a premium of Rs. 200/- per equity share in the ratio of one equity share for every four equity shares held (1:4). The Rights Issue, which opened on 19th December, 2005, closed on 18th January, 2006, was subscribed to an extent of 1.06 times.