



Co-creating success

Annual Report 2009-2010



## Contents

### Ramco Systems Limited, India

Letter to Shareholders .....	2
Corporate Theme .....	3
Directors' Report .....	7
Report on Corporate Governance .....	15
General Shareholder Information .....	26
Management Discussion and Analysis .....	31
Auditor's Report .....	33
Accounts .....	36
 Global Consolidated Financial Statements under AS - 21 .....	 58

# Corporate Theme

## Co-creating Value

Successful organisations understand the value of co-creation. The ultimate purpose of any business is to create value for customers, employees, business associates, partners, and shareholders. It has been shown time and again that giving importance to short-term goals and overlooking customers' needs may hinder a company's long-term growth prospects. Any organisation has to concentrate on value creation to grow its way to greatness.

## Customers

Primarily, Ramco's focus is on creating value for customers; however, we understand that this cannot be achieved independently. Only with the right kind of support from employees, partners, and stakeholders, the company can deliver sustained value for customers.

Value creation, to our customers, entails providing solutions and services, which enable them to achieve their business goals. It basically implies providing value for money. In today's economy, such value creation is typically based on product and process innovation, and on understanding unique customer needs with ever-increasing speed and precision. Ramco's products and services are built and delivered on this ideology. Ramco VirtualWorks, a collaborative solution-innovation platform, forms the backbone of Ramco's offerings, and ensures that customers gear up to their competitive environment, deliver value to their customers, and stay ahead.

## Employees

Ramco believes that companies can innovate and deliver outstanding service only if they tap the commitment, energy, and imagination of their employees. Value must therefore be created for those employees in order to motivate and enable them. Value for employees includes being treated respectfully and being involved in decision making. Employees also value meaningful work, excellent career opportunities, and continued training and development.

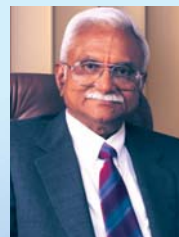
During the year, Ramco had taken up employee welfare as a top priority. It declared stock options to employees, increased compensation for those who showed commitment and exemplary skills, trained those who needed that extra push, and recruited fresh faces from business schools.

## Partner/Business Associates

Ramco values the need for business partners and associates, to reach out to customers worldwide. Partners are an integral part of Ramco, and play a vital role in creating value for customers.

Ramco periodically undertakes training and skill transfer programmes for its partners, to equip them to deliver the right solutions to customers. During the year Ramco conducted many such programmes. We are now glad to mention that Ramco's OnDemand business has created a good ecosystem with 41 partners, who are relentlessly pursuing the business across India.

# Letter to Shareholders



P R Ramasubrahmaneya Rajha



P R Venketrama Raja

Dear Shareholders,

The year 2009-2010 turned out to be a year of positivity and we maintained break even across all quarters. This was achieved by keeping costs well under control. Akin to previous years, our goal steadfastly remained the same—co-creating success for all stakeholders. The global competitive environment strengthened our endeavour to meet the needs of our customers, employees, suppliers, partners, and other business associates. Our relentless efforts backed by our advanced technology is turning out to be a winning combination, which will take us a long way. Ramco VirtualWorks has been our key differentiator, which has enabled us deliver solutions quickly, cost-effectively, and most importantly, as per the needs of customers.

During the year our company has acquired new orders across the globe, implemented projects successfully, and expanded its offerings. Developed markets like the U.S. and Europe are still sluggish; but our focused efforts in the domestic market and in the developing new markets such as Middle East and Africa have certainly helped us achieve our immediate objectives.

The year ended with orders spanning a majority of verticals such as Manufacturing, HCM, Banking, Defence, e-Governance, Logistics, and so on. Our cloud computing ERP solution - Ramco OnDemand ERP - has progressed on expected lines. During the year the business acquired new customers; it certainly looks promising for the coming years as well. Towards the end of the year, we accelerated our Ramco OnDemand partner acquisition drive. With this initiative, Ramco expands its footprints in the growing SMB sector. We are happy to mention here that Ramco now has 41 authorised partners, who are successfully supporting our OnDemand business acquisition and implementation drive.

We further strengthened our partnership with HP for their Neo-view platform, along with which our Banking analytics are bundled; this gave us a maiden breakthrough with a leading nationalised bank in India. We look forward to continuing and strengthening this relationship for years to come, with more such breakthroughs.

In 2009, our major focus was customer satisfaction; we executed number of initiatives to improve our relationship with customers. We understand the importance of retaining customers in today's competitive environment. We reinforced our efforts to readily reach out to them and ensured continuous availability.

During the year, to sustain and accelerate our growth momentum, Ramco initiated a global G-to-M (Go-to-Market) plan; this helped us identify the markets for our offerings and strategise ourselves to address the same. This initiative is looked upon to help Ramco to be clearly focused on target markets with optimum offer mix to address the business opportunities.

During the year 2009-2010, the company has achieved global revenues of USD 35.50 mn, spanning all its business lines and international subsidiaries.

It is quite imperative that we owe our success to our employees, who have been the backbone of our organisation. At this stage, we need to keep innovating, show utmost perseverance in winning orders, rationalise costs to change, and sustain momentum.

It has undoubtedly been a great journey. The journey has been full of excitement, challenges, and unmatched experiences, all directed towards creating an end-to-end Information Technology company. We hope to build on this and ensure that the coming years are productive as well.

We thank you for your support and continued confidence in our management and business model. We will continue to work towards achieving our objectives, and positioning the company for a strong finish in 2010, as well as for a solid future in the years to come.

**P R Ramasubrahmaneya Rajha**

Chairman

**P R Venketrama Raja**

Vice Chairman, Managing Director and CEO

**THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**



## **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

Shri A V DHARMAKRISHNAN

Shri R S AGARWAL

### **AUDITORS**

Messrs CNGSN & ASSOCIATES  
Chartered Accountants, Chennai

### **BANKERS**

IDBI Bank Limited

Kotak Mahindra Bank Limited

Corporation Bank

Punjab & Sind Bank

Indian Bank

AXIS 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

### **WEBSITE**

[www.ramco.com](http://www.ramco.com)

### **SUBSIDIARIES**

Ramco Systems Corporation, USA

Ramco Systems Ltd., Switzerland

Ramco Systems Pte. Ltd., Singapore

Ramco Systems Sdn. Bhd., Malaysia

RSL Enterprise Solutions (Pty) Ltd., South Africa

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

Messrs. Cameo Corporate Services Limited

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

**THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**



## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2010.

### FINANCIAL RESULTS

Description	Consolidated for the year ended 31st March,		Standalone for the year ended 31st March,	
	2010	2009	2010	2009
	(In USD Million)		(In Rs. Lakhs)	
Net Sales/Income from Operations	35.50	41.54	10,346.15	9,235.44
Other Operating Income	1.59	1.69	508.88	454.76
Total Income	37.09	43.23	10,855.03	9,690.20
Expenditure				
- Cost of resale material	0.86	0.86	403.52	304.48
- Staff Cost	16.74	25.02	3,764.43	5,631.67
- Sales & Marketing expenses	2.00	3.47	766.79	820.13
- Administration & Other Expenses	9.50	12.65	2,584.34	2,893.45
Total Expenditure	29.10	42.00	7,519.08	9,649.73
Profit /(Loss) Before Interest, Depreciation, Exceptional Items & Tax	7.99	1.23	3,335.95	40.47
Interest & Finance Charges	2.52	4.04	1,184.63	1,814.37
Depreciation	4.75	5.85	2,155.99	2,549.05
Exceptional Expenditure / (Income)	0.22	(9.34)	105.15	(4,217.80)
Profit / (Loss) Before Tax	0.50	0.68	(109.82)	(105.15)
Provision for Taxation	(0.04)	(0.16)	-	(50.95)
Minority Interest and Equity in Earnings / (Losses) of Affiliates	(0.06)	(0.07)	-	-
Net Profit / (Loss) After Tax	0.40	0.45	(109.82)	(156.10)

### BUSINESS OPERATIONS

The year 2009-10 has witnessed a good number of customer acquisitions, key partnerships, and business progresses; all aimed at sustaining profitability, and accomplishing better business prosperity. Driven by customer acceptance and global recognition of Ramco's Enterprise and OnDemand offerings, we started the financial year optimistically, with the company spreading its operations across verticals. Today, we are glad to report breakeven for the past five quarters, consecutively.

With a strong determination to achieve these encouraging results, we tried on several measures to override the difficult market conditions, which emerged from the recession. One such effective measure that we adopted was cost optimization. We devised a beneficial cost structure, by which expenditures on employees, travel, communications, and so on, were brought down, to ensure that expenses were in control.

On the other hand, our investments to offer ERP on cloud continue to help the company. Our strategy to improve on revenue mix with an emphasis on large and strategic deals has contributed to our success significantly. This is helping us capitalize on our technology and products. The company has been working on few large size deals, and we are hoping to reap significant benefits from these efforts. With the strengthening of the domestic, Middle East and the North Africa markets, we are confident about stronger performance in the coming years.

Today, with the relevant expertise and experience, backed by our advanced technology, we are now well positioned to leverage global opportunities and grow significantly.

The Aviation group has updated the Aviation M&E / MRO Enterprise Product Suite to Series 5. The release 5.2 warranted by requirements, current customers, and forward-looking market conditions, brings significant technological, business, and functional advantages to the industry. Continuing to simplify the processes by which people interact with IT systems, release 5.2 expands the centralized graphical planning board, providing planners with full visibility into materials, man-power, tools and ground time constraints. Further simplifying the planning process, all maintenance due can be displayed within the new interface, thereby reducing the opportunity for errors and maximizing the utilization of available ground time.

## Ramco Systems Limited, INDIA

Other milestones for the Aviation Group include the announcements of its cutting edge Ramco Aviation Analytics, powered by DecisionWorks™, EDK and ITK for Series 5, ePublications, and eProcurement, for the Global Aerospace & Defense, Civil Aviation & MRO Industry during the year. Each of these products is designed to significantly increase the business value of the series 5 portfolio, to both Ramco and its customers.

Aviation endured this recessionary period with a few new order wins, and additional orders for services from existing customers. Key accounts providing new business include Enerjet, opting for the M&E system as a hosted service, and Republic Air, deciding to purchase the new eProcurement offering. Additional orders in this sector include those from Safe Air, ERA Helicopters, and Pinnacle Airways. Additionally, we also witnessed Air Methods becoming the first existing customer to sign an agreement, to upgrade from Series 4 to Series 5, a trend that is expected to continue. Global Aviation is progressing with numerous implementations in US, Europe, India, and Middle East.

Ramco's HCM solution provides companies with leading edge capabilities required to attract and retain the best workforce. The solution is the result of 15 years of Ramco's experience in the international HCM Application space. Deployed in more than 700 customer locations, in 34 countries, the solution provides HR services to more than 1,000,000 employees world-wide. The solution is known to crack problems in employee engagement, development, payroll equity and HR Logistical process automation. One noteworthy order win was from Indo-US MIM.

The company organized several events to display its expertise in delivering world-class solutions in the manufacturing and HCM space. By this initiative, Ramco forays into several unscathed tier I and II cities. Ramco's ERP solutions helps clients involved in industries such as auto components, textiles, industrial machinery & equipments, high-tech electronics, and precision engineering to increase efficiency, differentiate products, keep up with regulatory mandates, reduce operational costs, create new opportunities, meet local needs, and scale up to global standards.

The company started the year with a clear focus on bringing powerful analytical solutions for banks pre-built on Ramco Decision Works-a fully integrated BI platform. Keeping in line with this, the company has already completed three powerful analytical modules for banks in the functional area of Customer Analyses, Loan Analyses and Deposit Analyses; these solutions have already been taken to the market.

The Banking and Analytics domain has moved a significant notch up by establishing a mutually beneficial partnership with HP; through this partnership, the company strategizes to jointly approach banks to market the analytics solution; this proposal would enable banks to perform various analysis of data spread across multiple systems, and complete their day-to-day transactions with ease. Ramco's Core Banking Analytics pre-packaged and delivered along with HP's Neoview enterprise data warehouse platform reduces the time and effort needed to integrate and analyze voluminous data, and gives banks a competitive advantage, by enabling them to make the right decisions. These solutions have paved way for the company to get some noteworthy deals, one of which is the order from Bank of India obtained through HP.

Ramco Systems continued to prove its prowess in other key verticals such as Infrastructure Development-Engineering & Construction, Real estate & property management, Retail, Education, and 3rd party Logistics, with notable order wins across the globe.

This year, the BPO sector found itself operating with considerable success. Today, BPO is no longer an optional strategy but it is a strategic necessity. Decision makers are increasingly accepting outsourcing, and are identifying the non-core activities of their businesses that can be outsourced. The IP3 (Infrastructure, Product, Process and People) framework, innovated by Ramco, is emerging as a new-age service delivery model, where in end-to-end processes are offered as "Managed Services". This model gives the flexibility to an organization to decide on the 'right solution' for its 'right costing' exercise, thereby enabling organizations to switch models; from BPO to Licensing to Hosting. Our BPO is now certified with ISO 9001:2008; a SAS70 Type II audit was also conducted by KPMG. Ramco HR BPO services are now being offered in the Middle East and APAC regions. Currently our BPO business processes over 100,000 pay-slips every month, and this is expected to rise exponentially in the coming months.

The strategic initiatives conceived and nurtured during the previous fiscal has enabled smooth sailing of our SaaS solution- Ramco OnDemand ERP. This powerful ERP addresses the needs of growing businesses across multiple verticals, and has sold and served through an ecosystem of sales and implementation partners.

Also, Ramco OnDemand ERP announced its Ramco OnDemand ERP Partner Program (ROPP), which allows us to foray into the industrial sectors. This enables us to identify potential partners for the SMB segment. With ROPP, Ramco aims to penetrate the market faster and rope in cluster-focused partners, to address the vast SMB space. Currently Ramco OnDemand ERP has 41 active partners; efforts are in progress to increase the numbers shortly.

On the Optima front, we secured in several major orders including those from Birla Chittorgarh Works, India Cements, and Shree Cements. This good turnout of business is attributed to the efforts of expansion that is prevalent among the cement industries in India. We have also witnessed some major go-lives this year which includes Birla White Cements, Ambuja Cements, and Grinding Units of Madras Cements.